No. 16-341

Title:	TC Heartland LLC, Petitioner v. Kraft Foods Group Brands LLC
Docketed:	September 15, 2016
Linked with 16A45	
Lower Ct:	United States Court of Appeals for the Federal Circuit
Case Nos.:	(2016-105)
Decision Date:	April 29, 2016

Questions Presented

~~Date~~~	~~~~~~~~Proceedings and Orders~~~~~~~~~~~~~~~~~~~~~~~~
Jul 8 2016	Application (16A45) to extend the time to file a petition for a writ of certiorari from July 28, 2016 to September 12, 2016, submitted to The Chief Justice.
Jul 13 2016	Application (16A45) granted by The Chief Justice extending the time to file until September 12, 2016.
Sep 12 2016	Petition for a writ of certiorari filed. (Response due October 17, 2016)
Sep 27 2016	Brief amici curiae of 32 Internet Companies, Retailers and Associations filed.
Sep 28 2016	Order extending time to file response to petition to and including November 16, 2016.
Oct 3 2016	Consent to the filing of amicus curiae briefs, in support of either party or of neither party, received from counsel for petitioner.
Oct 5 2016	Brief amicus curiae of Washington Legal Foundation filed.
Oct 12 2016	Brief amici curiae of The Electronic Frontier Foundation, et al. filed.
Oct 14 2016	Brief amici curiae of American Bankers Association, et al. filed.
Oct 17 2016	Brief amicus curiae of Paul R, Michel filed.
Oct 17 2016	Brief amici curiae of Dell Inc., and The Software & Information Industry Association filed.
Oct 17 2016	Brief amici curiae of 56 Professors of Law and Economics filed.
Nov 16 2016	Brief of respondent Kraft Foods Group Brands LLC in opposition filed. (Distributed)
Nov 21 2016	DISTRIBUTED for Conference of December 9, 2016.
Nov 21 2016	Reply of petitioner TC Heartland LLC filed. (Distributed)
Dec 2 2016	Letter of December 2, 2016, received from counsel for the petitioner. (Distributed)
Dec 14 2016	Petition GRANTED.
Jan 30 2017	Joint appendix filed. (Public Record)
Jan 30 2017	Brief of petitioner TC Heartland LLC filed.
Jan 31 2017	Motion to file the joint appendix under seal with redacted copies for the public record filed by petitioner TC Heartland LLC.
Feb 3 2017	SET FOR ARGUMENT on Monday, March 27, 2017
Feb 6 2017	Record requested from the U.S.C.A. for the Federal Circuit.
Feb 6 2017	Brief amicus curiae of General Electric Company in support of neither party filed.
Feb 6 2017	Brief amicus curiae of National Association of Realtors filed.
Feb 6 2017	Brief amici curiae of The Electronic Frontier Foundation, and Public Knowledge filed.
Feb 6 2017	Brief amici curiae of Texas, et al. filed.

Feb 6 2017	Brief amicus curiae of American Bar Association filed.
Feb 6 2017	Brief amicus curiae of Engine Advocacy filed.
Feb 6 2017	Brief amicus curiae of Software & Information Industry Association filed.
Feb 6 2017	Brief amicus curiae of BSA I The Software Alliance filed.
Feb 6 2017	Brief amicus curiae of Washington Legal Foundation filed.
Feb 6 2017	Brief amici curiae of American Bankers Association, et al. filed.
Feb 6 2017	Brief amici curiae of Intel Corporation, and Dell Inc. filed.
Feb 6 2017	Brief amicus curiae of ACT I The App Association filed.
Feb 6 2017	Brief amici curiae of 61 Professors of Law and Economics filed.
Feb 6 2017	Brief amicus curiae of Unified Patents Inc. filed.
Feb 6 2017	Brief amicus curiae of The Generic Pharmaceutical Association filed.
Feb 6 2017	Brief amicus curiae of American Intellectual Property Law Association in support of neither party filed.
Feb 6 2017	Brief amici curiae of 48 Internet Companies, Retailers and Associations filed.
Feb 6 2017	Brief amicus curiae of Orange County Intellectual Property Law Association filed.
Feb 6 2017	Brief amicus curiae of The Intellectual Property Law Association of Chicago in support of neither party filed.
Feb 6 2017	Appendix of amicus curiae The Intellectual Property Law Association of Chicago in support of neither party filed.
Feb 8 2017	Motion DISTRIBUTED for Conference of February 24, 2017.
Feb 14 2017	Record received from the U.S.C.A. Federal Circuit. The record is electronic and available on PACER.
Feb 14 2017	Record received from the U.S.D.C. Delaware. The record is electronic and partially SEALED.
Feb 22 2017	CIRCULATED.
Feb 27 2017	Motion to file the joint appendix under seal with redacted copies for the public record GRANTED.
Mar 1 2017	Brief of respondent Kraft Foods Group Brands LLC filed. (Distributed)
Mar 8 2017	Brief amicus curiae of Pharmaceutical Research and Manufacturers of America (PhRMA) filed. (Distributed)
Mar 8 2017	Brief amici curiae of Ericsson Inc., et al. filed. (Distributed)
Mar 8 2017	Brief amici curiae of 22 Law, Economics and Business Professors filed. (Distributed)
Mar 8 2017	Brief amicus curiae of Papool S. Chaudhari filed. (Distributed)
Mar 8 2017	Brief amicus curiae of Genentech, Inc. filed. (Distributed)
Mar 8 2017	Brief amici curiae of Biotechnology Innovation Organization, et al. filed. (Distributed)
Mar 8 2017	Brief amicus curiae of Whirlpool Corp. filed. (Distributed)
Mar 8 2017	Brief amicus curiae of TDE Petroleum Data Solutions, Inc. filed. (Distributed)
Mar 8 2017	Brief amici curiae of Professors of Patent Law and Civil Procedure filed. (Distributed)
Mar 8 2017	Brief amici curiae of 33 Practicing-Entity Patent Owners filed. (Distributed)
Mar 8 2017	Brief amici curiae of Eighteen Individuals and Organizations Representing Inventors and Patent Owners filed. (Distributed)
Mar 20 2017	Reply of petitioner TC Heartland LLC filed. (Distributed)
Mar 27 2017	Argued. For petitioner: James W. Dabney, New York, N. Y. For respondent: William M. Jay, Washington, D. C.
Jun 26 2017	JUDGMENT ISSUED.

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RECORD AND BRIEFS

No. 16-341

FILED
OFFICE OF THE CLERK

IN THE

Supreme Court of the United States

TC HEARTLAND, LLC D/B/A HEARTLAND FOOD PRODUCTS GROUP,

Petitioner,

v.

KRAFT FOODS GROUP BRANDS LLC,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

The patent venue statute, 28 U.S.C. § 1400(b), provides that patent infringement actions "may be brought in the judicial district where the defendant resides . . . ." The statute governing "[v]enue generally," 28 U.S.C. § 1391, has long contained a subsection (c) that, where applicable, deems a corporate entity to reside in multiple judicial districts.

In *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222 (1957), this Court held that § 1400(b) is not to be supplemented by § 1391(c), and that as applied to corporate entities, the phrase "where the defendant resides" in § 1400(b) "mean[s] the state of incorporation only." *Id.* at 226. The Court's opinion concluded: "We hold that 28 U.S.C. § 1400(b) is the sole and exclusive provision controlling venue in patent infringement actions, and that it is not to be supplemented by the provisions of 28 U.S.C. § 1391 (c)." *Id.* at 229.

Federal Circuit precedent holds to the contrary. Although Congress has not amended § 1400(b) since *Fourco*, the Federal Circuit has justified its departure from *Fourco*'s interpretation of § 1400(b) based on amendments to § 1391(c). As stated in the decision below, Federal Circuit precedent holds that "the definition of corporate residence in the general venue statute, § 1391(c), applie[s] to the patent venue statute, 28 U.S.C. § 1400" (App. 4a) and that "*Fourco* was not and is not the prevailing law" (App. 8a) on where venue is proper in patent infringement actions under § 1400(b).

The question in this case is thus precisely the same as the issue decided in *Fourco*:

Whether 28 U.S.C. § 1400(b) is the sole and exclusive provision governing venue in patent infringement actions and is not to be supplemented by 28 U.S.C. § 1391(c).

RULE 29.6 STATEMENT

Petitioner states that its parent company is Heartland Consumer Products Holdings LLC and no publicly held company owns 10% or more of Petitioner's stock.

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TC Heartland LLC hereby petitions for a writ of certiorari to review the final decision of the United States Court of Appeals for the Federal Circuit entered in this action on April 29, 2016.

OPINIONS BELOW

The opinion of the Court of Appeals is reported at 821 F.3d 1338 and is reproduced in Appendix A. The opinions of the District Court are unreported and are reproduced in Appendix B.

JURISDICTION

The final decision of the Court of Appeals was entered on April 29, 2016. No petition for rehearing was filed. On July 13, 2016, this Court extended Petitioner's time to file a petition for a writ of certiorari to and including September 12, 2016. This Court's jurisdiction is invoked under 28 U.S.C. § 1254(1).

This civil action is one arising under federal patent law, over which the district court had subject matter jurisdiction under 28 U.S.C. § 1338(a). The Federal Circuit had appellate jurisdiction under the All Writs Act, 28 U.S.C. § 1651.

STATUTORY PROVISIONS INVOLVED

28 U.S.C. § 1400(b) provides:

> Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.

The full text of 28 U.S.C. § 1694 (concerning service of process in patent infringement actions) and portions of the text of 28 U.S.C. § 1391 ("Venue generally") are reproduced in Appendix C.

STATEMENT OF THE CASE

This case raises a question of broad and general importance: What is the proper interpretation of the patent venue statute, 28 U.S.C. § 1400(b)? The an-

swer to this question is a matter of concern to every domestic corporate manufacturer, distributor, retailer, service provider, or end user that is potentially subject to suit for alleged patent infringement.

The Court's Prior Construction of § 1400(b)

Section 1400(b) prescribes that civil actions for alleged patent infringement may be brought in "*the* judicial district where the defendant *resides* . . . ." (emphasis added). Shortly after § 1400(b) was codified in Title 28, this Court held that its phrase, "*the* judicial district where the defendant *resides*" (emphasis added), was synonymous with the pre-codification phrase, "*the* district of which the defendant is an *inhabitant*" (28 U.S.C. § 109 (1940) (emphasis added)); and that as applied to a corporate defendant, the phrase referred to "the state of incorporation only." *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222, 226 (1957). *Accord Brunette Mach. Works, Ltd. v. Kockum Indus., Inc.*, 406 U.S. 706, 707 n.2 (1972) ("the residence of a corporation for purposes of § 1400(b) is its place of incorporation").

In reaching that result, *Fourco* specifically considered whether to follow *Stonite Products Co. v. Melvin Lloyd Co.*, 315 U.S. 561 (1942), which had interpreted the pre-codification version of the patent venue statute as being "complete, independent and alone controlling in its sphere." 353 U.S. at 228 (describing *Stonite*'s holding). After extensively analyzing the text, structure and history of § 1400(b) and its pre-codification predecessor, the Court adhered to *Stonite* and concluded: "We hold that 28 U.S.C. § 1400(b) is the sole and exclusive provision controlling venue in patent infringement actions, and that it is not to be supplemented by the provisions of 28 U.S.C. § 1391(c)." 353 U.S. at 229. That interpretation of § 1400(b) was accepted and unquestioned law for more than three decades. *See, e.g., In re Cordis Corp.*, 769 F.2d 733, 736 (Fed. Cir. 1985) ("The Supreme Court has held that § 1400(b) is the sole and exclusive provision controlling venue in patent in-

fringement actions, and that it is not to be supplemented by the provisions of 28 U.S.C. § 1391(c), having to do with general corporation venue.").

The 1988 Amendment of 28 U.S.C. § 1391(c)

In 1988, the first sentence of § 1391(c) was revised as indicated below (emphasis added):

Pre-1988 Text of § 1391(c)	1988 Text of § 1391(c)
A corporation may be sued in any judicial district in which it is incorporated or licensed to do business or is doing business, and such judicial district shall be regarded as the residence of such corporation ***for venue purposes***.	***For purposes of venue under this chapter***, a defendant that is a corporation shall be deemed to reside in any judicial district in which it is subject to personal jurisdiction at the time the action is commenced.

As shown above, between 1952 and 1988 the first sentence of § 1391(c) had provided that certain districts would be "regarded as the residence of such corporation *for venue purposes*" (emphasis added), whereas in 1988 this sentence was re-written to say that corporations would be "deemed to reside" in certain districts "[*f*]*or purposes of venue under this chapter*," with "this chapter" referring to chapter 87 entitled "District Courts; Venue." *See* Judicial Improvements and Access to Justice Act of 1988, Pub. L. No. 100-702, § 1013, 102 Stat. 4642, 4669 (1988) (the "1988 Act"). The section of the 1988 Act which amended § 1391(c) was located in a "Miscellaneous Amendments" title and characterized in a contemporaneous House Report as being one of a series of "miscellaneous provisions dealing with relatively minor discrete proposals." H.R. REP. NO. 100-889, at 66 (1988), *reprinted in* 1988 U.S.C.C.A.N. 5982, 6027.

Shortly following the enactment of the 1988 Act, the question arose whether the 1988 Act had effected a change in patent infringement case venue. One district court noted, "the recent amendment to § 1391(c)

in no way indicates that an alteration was intended in the operation of § 1400(b)." *Doelcher Prods., Inc. v. Hydrofoil Int'l, Inc.*, 735 F. Supp. 666, 668 (D. Md. 1989). "Not only is the language of the statute itself silent in this respect, the legislative history behind the amendment of § 1391(c) is devoid of any indication that an amendment to § 1400(b) was intended or even contemplated." *Id. Accord Joslyn Mfg. Co. v. Amerace Corp.*, 729 F. Supp. 1219, 1223 (N.D. Ill. 1990) ("Because the congressional history shows no clear intent to change settled law, we conclude that the 1988 amendment of § 1391(c) had no effect on the exclusivity of § 1400(b)").

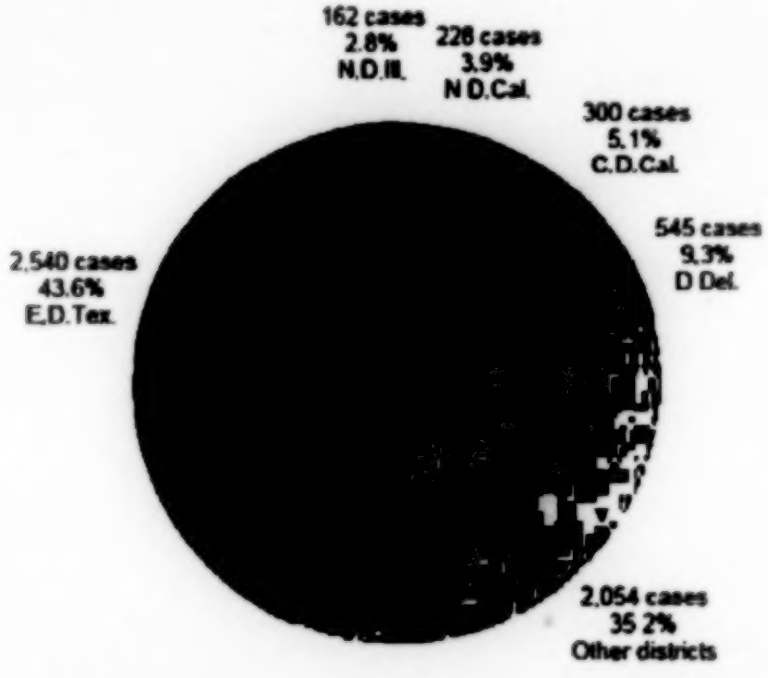
The Federal Circuit's Abrupt Rejection of *Fourco*

Rejecting the reasoning of the district court decisions cited above, the Federal Circuit in *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990), held that the change in the wording of § 1391(c) noted on p. 3, *supra*, created a situation in which "[s]ection 1391(c) as it was in *Fourco* is no longer" and "[t]he issue is, what, as a matter of first impression, should we conclude the Congress *now* intends by this new language in the venue act." 917 F.2d at 1579.

The court acknowledged that the legislative history of the 1988 Act gave no indication of any congressional intent to change the patent case venue statute. *Id.* at 1580-81. The court reasoned, however, that "Congress' silence on this issue does not support a negative inference that the 1988 amendment was not intended to affect § 1400(b)." *Id.* at 1581. In modifying the language of § 1391(c) from "for venue purposes" to "[f]or purposes of venue under this chapter" (where that chapter was entitled "District Court; Venue"), Congress had changed § 1391(c) so that it "clearly applies to § 1400(b)" and thus, the court believed, Congress had "redefine[d] the meaning of the term "resides" in [§ 1400(b)]." *Id.* at 1578.

VE Holding concluded that the § 1400(b) phrase, "the judicial district where the defendant resides,"

means "any district where there would be personal jurisdiction over the corporate defendant." *Id.* at 1583. Under the color of this ruling, corporate defendants were suddenly exposed to patent infringement suits in almost any judicial district. An enormous amount of forum shopping ensued, with the result being that in 2015 more than 43% of patent infringement cases were brought in a single district (E.D. Tex.) as illustrated in the chart below (Brian Howard, Lex Machina 2015 End-of-Year Trends Fig.3 (Jan. 7, 2016), *available at* http://www.lexmachina.com/lex-machina-2015-end-of-year-trends):



The 2011 Amendment of 28 U.S.C. § 1391(c)

The Federal Courts Jurisdiction and Clarification Act of 2011, Pub. L. No. 112-63, § 202, 125 Stat. 758, 763 (2011) (the "2011 Act"), completely overhauled 28 U.S.C. § 1391 and added a new subparagraph (a) headed "Applicability of Section." In its current form, 28 U.S.C. § 1391(a)(1) (2012) states in part: "***Except as otherwise provided by law*** . . . (1) this section shall govern the venue of all civil actions brought in dis-

trict courts of the United States . . . ." (emphasis added). In *Atlantic Marine Construction Co. v. United States District Court for the Western District of Texas*, 134 S. Ct. 568 (2013), this Court noted: "Section 1391 governs 'venue generally,' that is, in cases where a more specific venue provision does not apply." *Id.* at 577 n.2. To illustrate this point, *Atlantic Marine* cited 28 U.S.C. § 1400 as "identifying proper venue for copyright and patent suits." *Id.*

Even though the 2011 Act eliminated from § 1391(c) the very phrase ("[f]or purposes of venue under this chapter") that *VE Holding* had relied on to justify its rejection of *Fourco*, the Federal Circuit has remained adamant in its view that this Court's interpretation of § 1400(b) in *Fourco* purportedly is "*no longer the law* because in the 1988 amendments Congress had made the definition of corporate residence applicable to patent cases." App. 6a (emphasis added).

The Proceedings Below

Petitioner is a limited liability company organized and existing under the laws of Indiana. Petitioner is not registered to do business in Delaware and does not have any regular or established place of business in Delaware.

Respondent sued Petitioner for alleged patent infringement in the District of Delaware. Respondent alleges that certain liquid water enhancer ("LWE") products made and sold by Petitioner embody alleged inventions claimed in three patents owned by Respondent. The accused LWE products were designed and are manufactured by Petitioner in Indiana. In the year ending December 31, 2014, approximately 2% of Petitioner's LWE sales were shipped by common carrier to destinations in Delaware on the instructions of a customer based in Arkansas.

Petitioner moved to dismiss or transfer this action under 28 U.S.C. § 1406. Petitioner argued that (i) the District of Delaware was not "the judicial district where the defendant [Petitioner] resides" within

the meaning 28 U.S.C. § 1400(b); and (ii) insofar as the *VE Holding* decision suggested otherwise, it was subordinate to controlling precedents of this Court and in any event, the 2011 Act had repealed the statutory language that *VE Holding* had relied on to justify its departure from this Court's interpretation of § 1400(b) in *Fourco* and subsequent cases.

The district court denied Petitioner's motion, considering itself bound by *VE Holding*. App. 16a. Petitioner then timely petitioned the Federal Circuit for a writ of mandamus under 28 U.S.C. § 1651, which authorizes appellate courts to review whether a district court has wrongly refused to dismiss or transfer a case where venue is improper. *See Hoffman v. Blaski*, 363 U.S. 335, 336–44 (1960) (affirming order granting writ of mandamus directing transfer of patent infringement action).

The Federal Circuit affirmed the district court's order. The court stated that "[t]he arguments raised concerning venue have been firmly resolved by *VE Holding*, a settled precedent for over 25 years." App. 4a. The court further stated:

> The venue statute was amended in 1988 and in *VE Holding*, this court held that those amendments rendered the statutory definition of corporate residence found in § 1391 applicable to patent cases. In *VE Holding*, we found that the Supreme Court's decision in *Fourco* with regard to the appropriate definition of corporate residence for patent cases in the absence of an applicable statute to be no longer the law because in the 1988 amendments Congress had made the definition of corporate residence applicable to patent cases. 28 U.S.C. § 1391(c) (1988) ("For the purposes of venue under this chapter"). In 1988, the common law definition of corporate residence for patent cases was superseded by a Congressional one. Thus, in 2011, there was no established governing Supreme Court common law ruling which Congress could even arguably have

been codifying in the language "except otherwise provided by law."

App. 6a-7a. This petition followed.

REASONS FOR GRANTING THE PETITION

The Court should grant certiorari in this case for four basic reasons:

First, the decision below openly rejects the interpretation of 28 U.S.C. § 1400(b) that this Court announced in *Fourco* and asserts that "the Supreme Court's decision in *Fourco* . . . [is] no longer the law." App. at 6a. But "it is this Court's prerogative alone to overrule one of its precedents." *State Oil Co. v. Khan*, 522 U.S. 3, 20 (1997). Whether this Court's precedents interpreting § 1400(b) are "no longer the law" (App. at 6a) is a question that only this Court can resolve, and it should do so.

Second, the Federal Circuit's departure from this Court's holding in *Fourco* has dramatically expanded venue in patent cases, producing a plague of forum shopping that has been extensively documented, discussed, and debated in law reviews, legal journals and even leading newspapers such as *The New York Times*, *The Washington Post*, and *The Wall Street Journal*. The current practice has engendered widespread criticism and calls for reform. Indeed, the issue has such importance and prominence that in August 2016 the American Bar Association's House of Delegates passed a resolution specifically disagreeing with the Federal Circuit's precedent on patent venue and calling for a restoration of this Court's interpretation of § 1400(b). *See* ABA House of Delegates, Resolution 108C (August 2016), *available at* http://www.americanbar.org/news/reporter_resources/annual-meeting-2016/house-of-delegates-resolutions/108c.html.

Third, the decision below is clearly wrong and should be reversed. When § 1400(b) was enacted, the law was well-settled that: "the domicil, the habitat, the residence, the citizenship of the corporation can

only be in the state by which it was created, although it may do business in other states whose laws permit it." *Shaw v. Quincy Mining Co.*, 145 U.S. 444, 450 (1892). *Fourco* held that that the term "resides" in § 1400(b) has that traditional meaning, *see* 353 U.S. at 226 (citing *Shaw*), and rejected the very contrary argument that the Federal Circuit has accepted. Under the original meaning of the statute's language (as authoritatively construed by this Court in *Fourco*) § 1400(b) plainly precludes the district court from hearing this action.

Fourth, this case provides a good vehicle for deciding the question presented. The decision below rests entirely on an errant interpretation of the phrase, "the judicial district where the defendant resides," in 28 U.S.C. § 1400(b). The question presented by the Petition is dispositive of whether Petitioner was subject to suit for alleged patent infringement in the District of Delaware. There is no factual or procedural issue that would prevent the Court from deciding the question presented by the Petition.

I. THE DECISION BELOW OPENLY CONFLICTS WITH THIS COURT'S PATENT VENUE PRECEDENTS.

A. The Statutory Predecessors of § 1400(b)

Prior to 1897, "a suit for infringement might have been maintained in any district in which jurisdiction of defendant could be obtained." *Gen. Elec. Co. v. Marvel Rare Metals Co.*, 287 U.S. 430, 434 (1932). This result followed from precedents holding that patent infringement suits, being subject to *exclusive* federal court jurisdiction, were "therefore not affected by general provisions regulating the jurisdiction of the courts of the United States, *concurrent* with that of the several states." *In re Keasbey & Mattison Co.*, 160 U.S. 221, 230 (1895) (emphasis added).

"Congress adopted the predecessor to § 1400(b) as a special venue statute in patent infringement actions to eliminate the 'abuses engendered' by previous venue provisions allowing such suits to be

brought in any district in which the defendant could be served." *Schnell v. Peter Eckrich & Sons, Inc.*, 365 U.S. 260, 262 (1961) (quoting *Stonite*, 315 U.S. at 563). That predecessor statute was the Act of March 3, 1897, ch. 395, 29 Stat. 695 (1897) (the "1897 Act"), which contained only two sentences.

The first sentence in the 1897 Act authorized patent infringement suits to be brought either "[i] in *the district* of which the defendant is an inhabitant, or [ii] in *any district* in which the defendant, whether a person, partnership, or corporation, shall have committed acts of infringement and have a regular and established place of business." *Id.* (emphases and numerals added). As shown by the contrasting uses of the words "the district" and "any district," Congress plainly contemplated that a defendant could be an inhabitant of only one district but that there might be multiple districts in which a defendant might have a "regular and established place of business."

The second sentence of the 1897 Act authorized plaintiffs to serve process on defendants outside the district in which the defendant was an inhabitant, and that authorization was limited to places where the defendant had "a regular and established place of business":

> If such suit is brought in a district of which the defendant is not an inhabitant, but in which such defendant has a regular and established place of business, service of process, summons, or subpoena upon the defendant may be made by service upon the agent or agents engaged in conducting such business in the district in which suit is brought.

The 1897 Act "was intended to define the exact limits of venue in patent infringement suits" and "was a restrictive measure, limiting a prior, broader venue." *Stonite*, 315 U.S. at 566. "Congress did not intend the Act of 1897 to dovetail with the general provisions relating to the venue of civil suits, but ra-

ther that it alone should control venue in patent infringement proceedings." *Id.* "The main purpose" of the 1897 Act, according to its principal sponsor, was "to give original jurisdiction to the court where a permanent agency transacting the business is located, and that business is engaged in the infringement of the patent rights of someone who has such rights anywhere in the United States." 29 CONG. REC. 1900 (daily ed. Feb. 16, 1897) (statement of Rep. Lacey). "Isolated cases of infringement would not confer this jurisdiction, but only where a permanent agency is established." *Id.*

The 1897 Act was re-enacted in § 48 of the Judiciary Act of 1911, ch. 231, 36 Stat. 1087, 1100 (1911) (the "1911 Act"), without change except that an outdated reference to "circuit courts" was changed to "district courts."

In *Stonite*, this Court held that § 48 of the 1911 Act was "the exclusive provision controlling venue in patent infringement proceedings." *Stonite*, 315 U.S. at 563. *Stonite* held that a corporate defendant could not be sued for patent infringement in a district where venue was improper under the special patent venue statute, notwithstanding that venue might appear to be proper under provisions in a general venue statute. *Id.* at 563–67.

B. The Enactment of § 1400(b) in 1948

In 1948, Congress enacted title 28 of the United States Code as positive law. *See* Act of June 25, 1948, 62 Stat. 869. As part of that codification, the first and second sentences of § 48 of the 1911 Act were revised and codified in § 1400(b) and § 1694 of the new title 28. *See* 62 Stat. at 936, 945. The revised sections used the words "resides" and "resident" in place of the word "inhabitant," which was used in both sentences in the pre-codification version. The texts of current 28 U.S.C. §§ 1400(b) and 1694 are identical to their original form in the 1948 codification.

28 U.S.C. § 1400(b) provides:

> Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.

28 U.S.C. § 1694 provides:

> In a patent infringement action commenced in a district where the defendant is not a resident but has a regular and established place of business, service of process, summons or subpoena upon such defendant may be made upon his agent or agents conducting such business.

The codified title 28 also included a new § 1391 headed "Venue generally" whose full text was:

> (a) A civil action wherein jurisdiction is founded only on diversity of citizenship may, except as otherwise provided by law, be brought only in the judicial district where all plaintiffs or all defendants reside.
>
> (b) A civil action wherein jurisdiction is not founded solely on diversity of citizenship may be brought only in the judicial district where all defendants reside, except as otherwise provided by law.
>
> (c) A corporation may be sued in any judicial district in which it is incorporated or licensed to do business or is doing business, and such judicial district shall be regarded as the residence of such corporation for venue purposes.
>
> (d) An alien may be sued in any district.

C. The Circuit Split Resolved in *Fourco*

Following the codification of title 28, a circuit split developed over whether the new definition of corporate "residence" in § 1391(c) should be applied to the term "resides" found in § 1400(b). *See Fourco*, 353 U.S. at 224 n.3. This Court accordingly granted

review to consider "whether 28 U.S.C. § 1400(b) is the sole and exclusive provision governing venue in patent infringement actions, or whether that section is supplemented by 28 U.S.C. § 1391(c)." *Id.* at 222.

The Second Circuit in *Fourco* had reasoned that the "plain meaning of the two statutes" requires that the definition of corporate residence be incorporated into § 1400(b), "just as that definition is properly to be incorporated into other sections of the venue chapter, e.g., §§ 1392, 1393, 1395, 1396, 1397, 1400, etc." *Transmirra Prods. Corp. v. Fourco Glass Co.*, 233 F.2d 885, 886 (2d Cir. 1956), *rev'd*, 353 U.S. 222 (1957). This Court rejected the Second Circuit's reasoning and reversed the Second Circuit's judgment holding that the *Fourco* petitioner "reside[d]" in a district located outside the state of its incorporation.

As this Court framed the issue, "[t]he question is not whether § 1391(c) is clear and general, but, rather, it is, pointedly, whether § 1391(c) supplements § 1400(b), or, in other words, whether the latter is complete, independent and alone controlling in its sphere as was held in *Stonite*, or is, in some measure, dependent for its force upon the former." *Fourco*, 353 U.S. at 228. After considering the long history of patent venue legislation, the Court's interpretation of § 1400(b)'s immediate predecessor in *Stonite*, and applicable canons of statutory construction, the Court in *Fourco* held that "28 U.S.C. § 1400(b) is the sole and exclusive provision controlling venue in patent infringement actions" and "it is not to be supplemented by the provisions of 28 U.S.C. § 1391(c)." 353 U.S. at 229.

This Court has never wavered from that holding. *See Schnell*, 365 U.S. at 262–64; *Hoffman*, 363 U.S. at 340–44. In *Brunette* the Court stated: "it is fair to say, as the Court did in *Stonite* and *Fourco*, that in 1897 Congress placed patent infringement cases in a class by themselves, outside the scope of general venue legislation." 406 U.S. at 713.

D. The Federal Circuit Rejects *Fourco*

As shown by the decision below, the Federal Circuit openly rejects the interpretation of § 1400(b) that this Court adopted in *Fourco* and has gone so far as to assert that *Fourco* is "no longer the law." App. 6a. Under Federal Circuit precedent, the statutory phrase, "*the* judicial district where the defendant *resides*," 28 U.S.C. § 1400(b) (emphasis added), purportedly means *any and every* judicial district where a corporate defendant is *deemed* to reside in 28 U.S.C. § 1391(c)(2). In embracing that interpretation of § 1400(b), the Federal Circuit has purported to expand patent case venue in the very manner that this Court rejected in *Fourco*. Indeed, the Federal Circuit's reasoning for rejecting *Fourco*—that § 1391(c) includes "exact and classic language of incorporation: 'For purposes of venue under this chapter . . .'" (*VE Holding*, 917 F.2d at 1579)—is almost identical to the reasoning in the court of appeals opinion reversed by the *Fourco* Court. *See Transmirra*, 233 F.2d at 886 (reasoning that the definition of residence in § 1391(c) must be read into § 1400(b) "just as that definition is properly to be incorporated into other sections of the venue chapter, e. g., §§ 1392, 1393, 1395, 1396, 1397, 1400, etc.").

"[I]t is this Court's prerogative alone to overrule one of its precedents." *State Oil*, 522 U.S. at 20. "[I]f a precedent of this Court has direct application in a case, . . . the Court of Appeals should follow the case which directly controls, leaving to this Court the prerogative of overruling its own decisions." *Agostini v. Felton*, 521 U.S. 203, 237 (1997) (quoting *Rodriguez de Quijas v. Shearson/Am. Express, Inc.*, 490 U.S. 477, 484 (1989)). The Court of Appeals did not follow this principle here.

In interpreting § 1400(b) in a manner that is directly contrary to this Court's interpretation of that same statute in *Fourco*, and in asserting that *Fourco* purportedly is "no longer the law" (App. 6a), the Federal Circuit has exceeded its authority and created

an extreme divergence in statutory interpretations that warrants this Court's review.

II. THE PROPER INTERPRETATION OF 28 U.S.C. § 1400(B) IS IMPORTANT AND WORTHY OF THIS COURT'S ATTENTION.

Numerous objective indications demonstrate that the question presented by this Petition is an extremely important issue for the patent system.

1. The Historical Attention of Congress and This Court to Patent Venue. Perhaps the best gauge of the importance of the question presented is the consistent and longstanding approach of both Congress and this Court to the issue.

Patent venue was important enough in 1897 to merit its own special statute wherein Congress sought "to define the exact jurisdiction of the federal courts in actions to enforce patent rights . . . ." *Stonite*, 315 U.S. at 565. For nearly one hundred years, that statute was followed in the lower courts in part because this Court repeatedly granted certiorari to reverse lower court decisions that threatened to undermine the sensible limitations that Congress imposed on patent venue.

Thus, in *Stonite*, this Court granted certiorari and reversed a Third Circuit opinion that had expanded patent venue beyond the limits imposed by Congress in the 1911 Act. The *Stonite* Court interpreted the statute as being "the exclusive provision controlling venue in patent infringement proceedings." 315 U.S. at 563. Similarly, this Court in *Fourco* granted certiorari and reversed the Second Circuit on the same issue presented in this petition.

The question of where civil actions for alleged patent infringement may rightly be brought is no less important now than it was in 1897 when Congress acted, in 1942 when *Stonite* was decided, and in 1957 when *Fourco* adopted the interpretation of § 1400(b) that the Federal Circuit rejects. Then as now, the issue is a matter of concern to every domestic corpo-

rate manufacturer, distributor, retailer, service provider, or end user that is potentially subject to suit for alleged patent infringement.

2. The 2016 ABA Resolution. The ABA is the largest voluntary professional membership organization and the leading organization of legal professionals in the United States. *See* Brief for the American Bar Association as Amicus Curiae in Support of Petitioner, *Moore v. Texas*, No. 15-797 (Aug. 4, 2016), 2016 WL 4151449 at *1. Its nearly 400,000 members come from all fifty states and include judges, legislators, law professors, and law students. *Id.* at *1-2.

On August 8, 2016, on the recommendation of the ABA Section of Intellectual Property Law, the ABA House of Delegates adopted Resolution 108C concerning the question presented in this case. The resolution states:

> RESOLVED, That the American Bar Association supports an interpretation of the special patent venue statute, 28 U.S.C. § 1400(b), that does not adopt the definition of "resides" in the separate, general venue statute, 28 U.S.C. § 1391(c), to ascertain the meaning of "resides" in § 1400(b); and
>
> FURTHER RESOLVED, That the American Bar Association supports an interpretation of 28 U.S.C. § 1400(b) such that venue in a patent infringement case involving a business entity defendant is proper only in a judicial district (1) located in the state under whose laws the business entity was formed or (2) where the business entity has committed acts of infringement and has a regular and established place of business.

ABA House of Delegates, Resolution 108C (August 2016), *available at* http://www.americanbar.org/news/reporter_resources/annual-meeting-2016/house-of-delegates-resolutions/108c.html

The mere existence of that Resolution provides a significant measure of importance, but the content of the accompanying report confirms another aspect of importance. That report—submitted by the Chair of the ABA Section of Intellectual Property Law—states that the Federal Circuit's decisions in *VE Holding* and this case "misinterpret the venue statutes and *do not follow Supreme Court precedent.*"[1] "The [ABA] Resolution," the report summarizes, "disfavors the Federal Circuit precedent and favors applying Supreme Court precedent for reading the special patent venue statute as it stands alone and not supplemented by the definition of corporate residence found in §1391(c)."[2]

The ABA report thus confirms that the stakes here involve not only patent venue, but also the very relationship between the Federal Circuit and this Court. For if a large number of sophisticated practicing attorneys can reasonably believe that the Federal Circuit is "not follow[ing] Supreme Court precedent" and that a Resolution is needed to "favor[] applying Supreme Court precedent" on an important statutory issue, that belief itself can have significant consequences for attorneys' confidence in the actual allocation of judicial power between the two courts.

3. The Vast Amount of Literature on Patent Venue and Forum Shopping. The Federal Circuit's expansion of patent venue has produced such a profound change in patent infringement litigation that it has generated its own vein of literature in law journals as well as in the nation's leading newspa-

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[1] Theodore H. Davis, Jr., *Report 108C*, A.B.A. SEC. INTELL. PROP. L. 2 (2016) (emphasis added), *available at* http://www.americanbar.org/news/reporter_resources/annual-meeting-2016/house-of-delegates-resolutions/108c.html.

[2] *Id.*

pers. Four points about this literature are worthy of special attention.

First, the literature provides thorough documentation of the "extensive"[3] and "rampant forum shopping due to permissive venue rules"[4] that has allowed patent litigation to become an "astounding proportion" of certain district court dockets.[5]

Second, the literature confirms that such rampant forum shopping is directly traceable to the Federal Circuit's decision in *VE Holding* rejecting this Court's interpretation of the patent venue statute. For example, Professor Fromer has noted that, while this Court had consistently interpreted the concept of corporate residence in § 1400(b) "narrowly" such that "a corporation resides only in its state of incorporation," "[i]n 1990, the Federal Circuit held that corporate residency ought to be determined more broadly . . . ."[6] Other commentators also trace responsibility for extensive patent forum shopping to the Federal Circuit's 1990 decision in *VE Holding* to expand patent venue.[7]

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[3] Daniel Klerman & Greg Reilly, *Forum Selling*, 89 S. CAL. L. REV. 241, 248 (2016).

[4] Jeanne C. Fromer, *Patentography*, 85 N.Y.U. L. REV. 1444, 1449 (2010).

[5] J. Jonas Anderson, *Court Competition for Patent Cases*, 163 U. PA. L. REV. 631, 633 (2015) (setting forth data concerning the dockets of Eastern District of Texas and the District of Delaware).

[6] Fromer, *supra* note 4, at 1453 (citing *VE Holding*, 917 F.2d at 1583).

[7] *See, e.g.*, Klerman and Reilly, *supra* note 3, at 247–48 (noting that "forum shopping in patent cases has been extensive since

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Third, the literature shows pervasive dissatisfaction with the Federal Circuit's broad patent venue, with a large number of commentators criticizing current practices in the lower courts and calling for change.[8]

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at least the late 1990s" and tracing the trend to *VE Holding*); Elizabeth P. Offen-Brown, *Forum Shopping and Venue Transfer in Patent Cases: Marshall's Response to* TS Tech *and Genentech*, 25 BERKELEY TECH. L.J. 61, 65 (2010) ("Though the patent venue statute was historically distinct from the more general venue provision, the Federal Circuit held in *VE Holding Corp. v. Johnson Gas Appliance Co.* that the meaning of the term 'resides' as defined in the patent statute should be interpreted in accordance with the general venue statute"); Ranganath Sudarshan, *Nuisance-Value Patent Suits: An Economic Model and Proposal*, 25 SANTA CLARA COMPUTER & HIGH TECH. L.J. 159, 165 (2009) (citing *VE Holding* as the precedent that allows "nuisance plaintiffs" to file "suit in far-flung, perceivably-plaintiff-friendly 'magnet jurisdictions'" and thereby "subject[] defendants to the cost and inconvenience of having to litigate in a distant location"); Yan Leychkis, *Of Fire Ants and Claim Construction: An Empirical Study of the Meteoric Rise of the Eastern District of Texas as a Preeminent Forum for Patent Litigation*, 9 YALE J.L. & TECH. 193, 197 (2007) (also citing *VE Holding* as the reason why "most large national corporations may now be sued for patent infringement in virtually *any* of the ninety-four federal district courts").

[8] *See, e.g.*, Klerman and Reilly, *supra* note 3, at 308 (summarizing the reasons why "forum selling" is undesirable and recommending that "the simplest way to prevent forum selling is to constrict jurisdictional choice"); Fromer, *supra* note 4, at 1507 (recommending "constraining venue rules" as a solution to forum shopping); Colleen V. Chien & Michael Risch, *A Patent Reform We Can All Agree On*, WASH. POST, Nov. 20, 2015, http://www.washingtonpost.com/news/in-theory/wp/2015/11/20/

Footnote continued

Fourth and perhaps most importantly, the literature shows that the intensity of forum shopping in patent cases is so extreme that it poses perceived threats to the very integrity of the federal judicial system. For example, in the article *Forum Selling*, Professors Klerman and Reilly extensively document the degree to which a few federal district judges have "sought to attract patent plaintiffs to their district and have distorted the rules and practices relating to case assignment, joinder, discovery, transfer, and summary judgment in a pro-patentee (plaintiff) direction."[9] The authors cite public statements in which past and present federal judges *acknowledge* that they are intentionally trying to attract patent

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why-do-patent-lawyers-like-to-file-in-texas/ (arguing that the "staggering concentration of patent cases in just a few federal district courts is bad for the patent system" and that "changing where patent lawsuits can be filed will solve many of the problems"); Bruce Sewell, *Patent Nonsense*, WALL ST. J. July 12, 2007, http://www.wsj.com/articles/SB118420277223636135 (noting that companies putting "products into the stream of commerce can be sued for patent infringement virtually anywhere in the U.S. that the product is sold," and arguing that "[t]his encourages lawsuits in venues with little relationship to the actual alleged acts of infringement or the parties in the suit"); Bruce A. Lehman, *Venue Shopping in Patent Cases Must Stop*, NAT'L L.J. Nov. 16, 2009, http://www.nationallawjournal.com/id=1202435438325/Venue-shopping-in-patent-cases-must-stop (former head of the Patent & Trademark Office arguing for change because "[v]enue shopping in patent cases is rampant, with plaintiff-friendly jurisdictions rendering verdicts that are outsized to the point of being perverse").

[9] Klerman and Reilly, *supra* note 3, at 243.

cases because they find such cases "interesting" and "enjoyed the intellectual challenge."[10]

There is also, however, at least the possible perception that the judicial encouragement of forum shopping is influenced by a variety of reputational and economic incentives.[11] That perception is not dispelled when, in a *N.Y. Times* article describing the economic benefits of patent infringement litigation to local businesses in the Eastern District of Texas, a then-sitting federal judge in the district is quoted as asserting that his judicial district "is, historically anyway, a plaintiffs-oriented district."[12]

Yet even if federal judges are fostering forum shopping merely because of their personal intellectual interest in patent cases, that practice is still not especially healthy for the federal judicial system for it can lead to "inefficient distortions of substantive law, procedure, and trial management practices"[13] and "plaintiff-friendly" rules and practices that "inevitabl[y]" raise "questions of judicial neutrality."[14]

Articles and editorials such as *Forum Selling, Court Competition for Patent Cases*, and *Venue*

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[10] *Id.* at 271.

[11] Anderson, *supra* note 5, at 651–66 (documenting the personal and professional incentives for judges to try to attract patent infringement cases and the extent to which patent-friendly judicial districts profit from such litigation).

[12] Julie Creswell, *So Small a Town, So Many Patent Suits*, N.Y. TIMES, Sep. 24, 2006, http://www.nytimes.com/2006/09/24/business/24ward.html.

[13] Klerman and Reilly, *supra* note 3, at 246.

[14] Anderson, *supra* note 5, at 645.

Shopping in Patent Cases Must Stop demonstrate even by their very titles that the dramatic expansion of patent venue is an issue worthy of this Court's attention and not a matter to be left solely to the Federal Circuit. The issue falls outside whatever specialized expertise the Federal Circuit possesses in matters of substantive patent law and affects a subject for which this Court bears ultimate responsibility under Article III of the Constitution—the public's perception of, and ultimate confidence in, the federal judicial system.

4. Support of Amici. Urging the Court of Appeals to follow this Court's precedents on patent venue, twenty-four corporate amici described how forum shopping is now such a "serious problem in U.S. patent litigation" that it is undermining "core public policies of our patent system." Brief of Acushnet et al. as Amici Curiae in Support of Petitioner, *In re TC Heartland LLC*, 2015 WL 8387461, at *2, *10. Similarly, amici the Electronic Frontier Foundation, Public Knowledge, and Engine Advocacy have observed that VE Holding has "led to one of the worst, most notorious situations of forum shopping in recent history." Brief of Electronic Frontier Foundation et al., *In re TC Heartland LLC*, 2015 WL 8387460, at *2.

In sum, the amici described how history has repeated itself—how the Federal Circuit's revisionist interpretation of § 1400(b) has brought back "the 'abuses engendered' by previous venue provisions allowing such [patent] suits to be brought in any district in which the defendant could be served." *Schnell*, 365 U.S. at 262 (quoting *Stonite*, 315 U.S. at 564).

5. *Entrenchment of VE Holding.* The Federal Circuit's misinterpretation of 28 U.S.C. § 1400(b) has generated an explosion of motions for discretionary transfers of venue under 28 U.S.C. § 1404 and petitions for appellate review of such orders. *See, e.g., In re Nintendo of Am., Inc.*, 756 F.3d 1363 (Fed. Cir. 2014) (granting petition for review of order denying venue transfer motion); *In re Link_A_Media Devices*

Corp., 662 F.3d 1221 (Fed. Cir. 2011) (same); *In re Microsoft Corp.*, 630 F.3d 1361 (Fed. Cir. 2011) (same); *In re Hoffmann-La Roche Inc.*, 587 F.3d 1333 (Fed. Cir. 2009) (same). Yet the decision below states that Petitioner's questioning of the correctness of the *VE Holding* decision is "*utterly* without merit or logic." App. 6a (emphasis added). "The arguments raised regarding venue," the decision below states, "have been *firmly* resolved by *VE Holding*, a *settled precedent* for over 25 years." App. at 4a (emphasis added). The Federal Circuit does not view its interpretation of § 1400(b) as erroneous and there is, thus, no foreseeable prospect that the Federal Circuit will change its view.

III. THE DECISION BELOW IS CLEARLY WRONG AND SHOULD BE REVERSED.

The decision below holds that Petitioner is subject to suit for alleged patent infringement in Delaware because the District of Delaware purportedly is "*the* judicial district where the defendant *resides*." 28 U.S.C. § 1400(b) (emphasis added). This holding is clearly wrong and should be reversed.

The definite article, "the," connotes a *particular* district. When the special patent venue statute was first enacted in 1897, the law as well-settled that: "the domicil, the habitat, the residence, the citizenship of the corporation can only be in the State by which it was created, although it may do business in other States whose laws permit it." *Shaw v. Quincy Mining Co.*, 145 U.S. 444, 450 (1892). *Fourco* held that that this traditional meaning of "resides" was carried over in § 1400(b). *See* 353 U.S. at 226 (citing *Shaw*). The law has long distinguished between resident and non-resident corporate entities. *Cf. Eli Lilly & Co. v. Sav-on-Drugs, Inc.*, 366 U.S. 276, 276–84 (1961) (New Jersey door closing statute barred suit by non-resident corporation that was not registered to do business in New Jersey).

By 1988, this Court's construction of § 1400(b) as being "the sole and exclusive provision controlling

venue in patent infringement actions," *Fourco*, 353 U.S. at 229, and as "not to be supplemented by the provisions of 28 U.S.C. § 1391(c)," *id.*, and as placing "patent infringement cases in a class by themselves, outside the scope of general venue legislation," *Brunette*, 406 U.S. at 713, had stood as settled law of the land for decades. In these circumstances, the established construction of § 1400(b) could not rightly be held "to be no longer the law" (App. 6a) on the basis of the trivial stylistic language change in § 1391(c) set out on page 3 *supra*.

"Under established canons of statutory construction, 'it will not be inferred that Congress, in revising and consolidating the laws, intended to change their effect unless such intention is clearly expressed.'" *Finley v. United States*, 490 U.S. 545, 554 (1989) (quoting *Anderson v. Pac. Coast S.S. Co.*, 225 U.S. 187, 199 (1912)). Where Congress wants to change a longstanding and accepted rule of statutory law, it will make the change "explicit in the statute, or at least . . . mention[] it at some point in the . . . legislative history." *Chisom v. Roemer*, 501 U.S. 380, 396 (1991). Congress "does not, one might say, hide elephants in mouseholes." *Whitman v. Am. Trucking Ass'ns, Inc.*, 531 U.S. 457, 468 (2001).

Yet here, the decision below assumes the existence of a huge elephant—indeed, a revolution in patent case venue law—in the smallest of mouseholes—an enactment that was *not* amending the patent venue statute; that was expressly labeled as "Miscellaneous" in the text of the legislation; and that was described in the legislative history as "dealing with relatively minor discrete proposals." H.R. REP. NO. 100-889, at 66 (1988), *reprinted in* 1988 U.S.C.C.A.N. 5982, 6027. But rather than ask whether there was any "clearly expressed" intent *to change* what was then settled law, the Federal Circuit turned the inquiry upside down and asked whether the history or purpose of the 1988 Act revealed any intent *not to change* the law from what the Federal Circuit was then reading the 1988 Act to provide for the first

time. The court stated, "Congress has not clearly expressed that its intent is contrary to the words of the statute." 917 F.2d at 1580. But under this Court's precedents, that was not the correct question to ask.

The decision below also conflicts with the canon *in pari materia*, under which "statutes addressing the same subject matter generally should be read 'as if they were one law.'" *Wachovia Bank v. Schmidt*, 546 U.S. 303, 315–16 (2006) (quoting *Erlenbaugh v. United States*, 409 U.S. 239, 243 (1972)). This canon clearly applies to 28 U.S.C. §§ 1400(b) and 1694, which were originally the first and second sentences of the 1897 Act. Section 1694 authorizes service of process in patent infringement actions commenced "in a district where the defendant is not a resident but has a regular and established place of business . . . ." As construed in *Fourco*, the word "resides" in § 1400(b) denotes the same relation between a defendant and a judicial district as does the word "resident" in § 1694. In contrast, the decision below accords the term "resides" in § 1400(b) a different meaning than is accorded the term "resident" in § 1694 (because § 1694 is not a venue statute in the venue chapter of title 28 and thus, even under the reasoning of *VE Holding*, could not have had its meaning changed by the 1988 amendments to § 1391(c)). Thus, under the Federal Circuit position, a judicial district can purportedly be one in which a corporate defendant simultaneously "resides" (§ 1400(b)) but "is not a resident" (§ 1694).

The decision below also conflicts with the "settled" canon that, "[h]owever inclusive may be the general language of a statute, it 'will not be held to apply to a matter specifically dealt with in another part of the same enactment. . . . Specific terms prevail over the general in the same or another statute which otherwise might be controlling.'" *Fourco*, 353 U.S. at 228–29 (quoting *D. Ginsberg & Sons. Inc. v. Popkin*, 285 U.S. 204, 208 (1932)). Section 1400(b) is, as *Fourco* held, a statute that specifically deals with venue in patent infringement actions, over which

federal courts have exclusive original jurisdiction; whereas 28 U.S.C. § 1391 is a general statute that applies to civil actions invoking diversity jurisdiction and federal court question jurisdiction that is concurrent with that of state courts.

Further, as is pointed out in the report which accompanies the 2016 ABA Resolution, the 2011 Act removed any possible basis for arguing that the 1988 Act had hidden an elephant-sized patent venue revolution in the mousehole of a stylistic wording change from "for venue purposes" to "for purposes of venue under this chapter." *See* p. 3 *supra*. Not only did the 2011 Act repeal the statutory language of the 1988 Act that *VE Holding* and the decision below treated as having nullified this Court's *Fourco* decision and rendered it "no longer the law" (App. 6a), but current 28 U.S.C. § 1391 (2012) also includes a new subsection (a) titled "Applicability of Section" which reads in pertinent part: "*Except as otherwise provided by law*—(1) this section shall govern the venue of all civil actions brought in district courts of the United States . . . ." (emphasis added). *Cf. Atlantic Marine*, 134 S. Ct. at 577 n.2 (stating that "Section 1391 governs 'venue generally,' that is, in cases where a more specific venue provision does not apply" and citing 28 U.S.C. § 1400 as "identifying proper venue for copyright and patent suits").

The decision below rejects the 2011 Act as a basis for following this Court's interpretation of § 1400(b) in *Fourco* on two grounds, neither of which has merit. First, the decision below characterizes *Fourco* as having announced "federal common law" and, as such, was not a type of "law" referred to by "[e]xcept as otherwise provide by law" in current § 1391. App. 6a–7a. In fact, *Fourco*, *Schnell*, *Hoffman*, and *Brunette* are all cases in which this Court construed the meaning of statutory language. The proper meaning of the phrase, "the judicial district in which the defendant resides," 28 U.S.C. § 1400(b), is not a matter of "federal common law," but rather is a matter of construing the meaning of "resides" and "resident" in

28 U.S.C. §§ 1400(b) and 1694 in a manner that accords with applicable canons of statutory construction and is consistent with the scheme for directing the filing of patent infringement suits that those two statutes prescribe.

The decision below alternatively holds that, even if case law interpreting a statute is "law" within the meaning of the phrase "[e]xcept as otherwise provided by law" in 28 U.S.C. § 1391 (2012), the relevant case "law" that existed at the time of the 2011 Act was not the law stated by this Court in *Fourco*, but rather was the "law" stated by the Federal Circuit in its 1990 *VE Holding* decision. The decision below states: "Even if Congress' 2011 amendments were meant to capture existing federal common law, . . . *Fourco* was not and is not the prevailing law that would have been captured. We reject [Petitioner's] argument that in 2011 Congress codified the common law regarding venue in patent suits as described in *Fourco*." App. 8a.

In support of this last conclusion, the court cited three scattered legislative reports that purportedly "recognized that *VE Holding* is the prevailing law." *Id.* But the Federal Circuit has no authority to overrule precedents of this Court and it is, thus, irrelevant whether a legislative report may have "recognized that *VE Holding* is the prevailing law." *Id.* In recent years, this Court has disapproved a number of Federal Circuit precedents that district courts or legislators might have "recognized" as "law" until this Court intervened.[15] *Cf. Dickinson v. Zurko*, 527 U.S.

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[15] *Cf. Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923 (2016) (disapproving Federal Circuit precedent interpreting 35 U.S.C. § 284); *Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 1920 (2015) (disapproving Federal Circuit precedent interpreting 35 U.S.C. § 271(b)); *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120 (2014) (disapproving Federal Circuit precedent interpreting 35 U.S.C. § 112); *Limelight Networks, Inc. v.*

Footnote continued

150, 162 (1999) (disapproving longstanding Federal Circuit precedent interpreting 5 U.S.C. § 706 and stating: "This Court, however, has not previously settled the matter.").

The dubious status of *VE Holding* is suggested by the Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 18(c), 129 Stat. 284, 331 (2011) (reproduced in note to 35 U.S.C. § 321 (2012)), which provides:

> (c) In an action for infringement under section 281 of title 35, United States Code, of a covered business method patent, an automated teller machine shall not be deemed to be a regular and established place of business for purposes of section 1400(b) of title 28, United States Code.

The above-quoted provision makes no sense unless *Fourco* remains good law; for if *VE Holding* were correct, a corporate owner of an ATM would be

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Akamai Techs., Inc., 134 S. Ct. 2111 (2014) (disapproving Federal Circuit precedent interpreting 35 U.S.C. § 271(b)); *Octane Fitness, LLC v. Icon Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014) (disapproving Federal Circuit precedent interpreting 35 U.S.C. § 285); *Bilski v. Kappos*, 561 U.S. 593 (2010) (disapproving Federal Circuit precedent interpreting 35 U.S.C. § 101); *Quanta Computer, Inc. v. LG Elecs., Inc.*, 553 U.S. 617 (2008) (disapproving Federal Circuit precedent interpreting patent "exhaustion" doctrine); *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007) (disapproving Federal Circuit precedent interpreting 35 U.S.C. § 103). Under 28 U.S.C. § 1295(a)(1), the Federal Circuit since October 1, 1982, has had exclusive jurisdiction of appeals from final decisions of district courts in civil actions "arising under" federal patent law, but this Court has continued to exercise its plenary authority over the proper interpretation of federal statutes governing patent infringement actions.

deemed to "reside" wherever the machine's use or operation infringed a patent, and it would make no difference whether the machine were deemed to be "a regular and established place of business" for purposes of 28 U.S.C. § 1400(b). Similarly, in *Atlantic Marine*, this Court showed its belief that § 1391 is not applicable to patent cases, and § 1400(b) is. 134 S. Ct. at 577 n.2.

Finally, as shown in this case, the Federal Circuit's interpretation of § 1400(b) destroys the historic relationship between § 1400(b) and § 1694. Respondent sought to circumvent the limitations on service of process in § 1694 by serving Petitioner in Indiana under the purported authority of the Delaware "long-arm statute, 10 Del. C. § 3104" (App. 23a).

Where, however, a plaintiff relies on *state* law to authorize service of a summons on a defendant, such service of process can establish specific personal jurisdiction over the defendant only if the defendant would be subject to the personal jurisdiction of the state court with respect to the action (Federal Rule of Civil Procedure 4(k)(1)(A)), and constitutional limitations on personal jurisdiction require that the action must arise from "an activity or an occurrence that takes place in the forum state." *Walden v. Fiore*, 134 S. Ct. 1115, 1121 n.6 (2014) (internal quotation omitted). In this case, the Respondent's complaint is not restricted to alleged acts of patent infringement that took place in Delaware, but rather seeks relief for alleged acts that occurred in Indiana, California, Florida, and other non-Delaware locations. Because each act of alleged infringement gives rise to a discrete claim, *see Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962, 1969 (2014), Respondent has needed to rely on expansive and ahistorical Federal Circuit theories to justify relying on *Delaware*'s long-arm statute to generate personal jurisdiction over a nationwide set of claims, the vast majority of which have no connection to Delaware.

A restoration of this Court's interpretation of § 1400(b) would eliminate the occasion for such ex-

pansive jurisdictional theories, because venue under § 1400(b) would be proper over non-resident corporate entities only in districts where the federal statute § 1694 allows service of process and thereby establishes specific jurisdiction on a nationwide basis in the manner specifically authorized by Congress.

IV. THIS CASE PROVIDES A GOOD VEHICLE FOR RAISING THE QUESTION PRESENTED.

As noted above, the facts relevant to this petition are undisputed and sharply frame the question of statutory interpretation raised.

It is undisputed that Petitioner is not incorporated in Delaware and has no regular or established or indeed any place of business in Delaware. If 28 U.S.C. § 1400(b) continues to have the meaning that this Court held that it had in *Fourco*, this is an easy case and the Court can and should summarily reverse and remand. *Cf. Palmer v. BRG of Ga., Inc.*, 498 U.S. 46, 50 (1990) (granting certiorari and summarily reversing judgment of non-liability for antitrust law violation, where challenged agreement "was unlawful on its face").

If this Court grants certiorari, the undisputed facts of this case ensure that the Court will be able to reach and decide the question presented without the risk of some disputed fact or procedural default intervening. The decision below rests entirely on the Federal Circuit's errant interpretation of § 1400(b). The issue presented here was fully briefed and considered by the Federal Circuit, and the Court accordingly has the benefit of the Federal Circuit's views on the subject which, as quoted above, are quite adamant. The question presented by this Petition has generated a vigorous debate that is fully joined. It is ripe for a decision by this Court.

CONCLUSION

For the reasons set forth above, this Petition for a Writ of Certiorari should be granted.

Respectfully submitted,

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UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

2016-105

IN RE: TC HEARTLAND LLC,

Petitioner.

April 29, 2016, Decided

On Petition for Writ of *Mandamus* to the United States District Court for the District of Delaware in No. 1:14-cv-00028-LPS, Chief Judge Leonard P. Stark.

ON PETITION

Before MOORE, LINN, and WALLACH, *Circuit Judges.*

MOORE, *Circuit Judge.*

ORDER

TC Heartland LLC ("Heartland") petitions for a writ of *mandamus* to direct the United States District Court for the District of Delaware to either dismiss or transfer the patent infringement suit filed against it by Kraft Foods Group Brands LLC ("Kraft"). We deny Heartland's petition.

Appendix A

BACKGROUND

Heartland is a limited liability company organized and existing under Indiana law and headquartered in Indiana. *Kraft Foods Grp. Brands LLC v. TC Heartland, LLC*, No. 14-28-LPS, 2015 U.S. Dist. LEXIS 106515, 2015 WL 4778828, at *1 (D. Del. Aug. 13, 2015) ("Magistrate's Report"). Respondent Kraft is organized and exists under Delaware law and its principal place of business is in Illinois. *Id.* Kraft filed suit against Heartland in the United States District Court for the District of Delaware alleging that Heartland's liquid water enhancer products ("accused products") infringe three of Kraft's patents. 2015 U.S. Dist. LEXIS 106515, [WL] at *1-2. Heartland moved to dismiss the complaint under Federal Rule of Civil Procedure 12(b)(2) for lack of personal jurisdiction. 2015 U.S. Dist. LEXIS 106515, [WL] at *1. It also moved to either dismiss the action or transfer venue to the Southern District of Indiana under 28 U.S.C. §§ 1404 and 1406. *Id.*

Before the district court, Heartland alleged that it is not registered to do business in Delaware, has no local presence in Delaware, has not entered into any supply contracts in Delaware or called on any accounts there to solicit sales. But Heartland admitted it ships orders of the accused products into Delaware pursuant to contracts with two national accounts. In 2013, these shipments, which contained 44,707 cases of the accused product that generated at least $331,000 in revenue, were about 2% of Heartland's total sales of the accused products that year. The Magistrate Judge, applying, *inter alia*, our precedent from *Beverly Hills Fan Co. v. Royal Sovereign*

Corp., 21 F.3d 1558, 1571 (Fed. Cir. 1994), determined that it had specific personal jurisdiction over Heartland for claims involving the accused products. He also rejected Heartland's arguments that Congress' 2011 amendments to 28 U.S.C. § 1391 changed the law governing venue for patent infringement suits in a manner which nullified our holding in *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990). The district court adopted the Magistrate Judge's report in all respects and denied Heartland's motions. *Kraft Foods Grp. Brands LLC v. TC Heartland, LLC*, No. 14-28-LPS, 2015 U.S. Dist. LEXIS 127972, 2015 WL 5613160, at *1-2 (D. Del. Sept. 24, 2015) ("District Court Order"). In so doing, the district court specifically stated that the Magistrate Judge correctly concluded that *Beverly Hills Fan* governed the personal jurisdiction analysis and that Congress' 2011 amendments to 28 U.S.C. § 1391 "did not undo" our decision in *VE Holding*. *Id.* We agree.

Discussion

A writ of *mandamus* is an extraordinary remedy appropriate only in exceptional circumstances, such as those amounting to a judicial "usurpation of power" or a clear abuse of discretion. *Cheney v. U.S. Dist. Court for the Dist. of Columbia*, 542 U.S. 367, 380, 124 S. Ct. 2576, 159 L. Ed. 2d 459 (2004). Three conditions must be satisfied before issuing the writ: 1) the petitioner must have no other adequate means to attain the relief he desires; 2) the petitioner has the burden to show his right to *mandamus* is "clear and indisputable"; and 3) the issuing court must be satisfied that the writ is appropriate under the

circumstances. *Id.* at 380-81. The parties do not address all three parts of the *Cheney* test in their briefing, focusing instead on only the second part. We likewise confine our analysis to only the second part of the *Cheney* test.

Heartland argues that it is entitled to a writ of *mandamus* based on two legal theories. First, it argues that it does not "reside" in Delaware for venue purposes according to 28 U.S.C. § 1400(b). Second, it argues that the Delaware district court lacks specific personal jurisdiction over it for this civil action. We conclude that a writ of *mandamus* is not warranted. The arguments raised regarding venue have been firmly resolved by *VE Holding*, a settled precedent for over 25 years. The arguments raised regarding personal jurisdiction have been definitively resolved by *Beverly Hills Fan*, a settled precedent for over 20 years. As a panel, we are bound by the prior decisions of this court.

A. Venue

With respect to venue, Heartland argues that Congress' 2011 amendments to 28 U.S.C. § 1391 changed the statutory law in a manner which effectively overruled *VE Holding*: "To be clear, the argument set forth here is that this Court's holding in *VE Holding* no longer applies given the changed language in §§ 1391(a) and (c)." Pet. 9. We do not agree. In *VE Holding*, this court held that the definition of corporate residence in the general venue statute, § 1391(c), applied to the patent venue statute, 28 U.S.C. § 1400. The 2011 amendments to the general venue statute relevant to this appeal were minor. The language

preceding the definition of corporate residence in § 1391 was changed from "For the purposes of venue under this chapter . . ." to "For all venue purposes . . . ." *Compare* 28 U.S.C. § 1391(c) (1988) *with* 28 U.S.C. § 1391(c) (2011). This is a broadening of the applicability of the definition of corporate residence, not a narrowing. This change in no manner supports Heartland's arguments.

The only other relevant 2011 amendment is the addition of the language in § 1391(a), "Applicability of section.--Except as otherwise provided by law." Heartland argues that the "law" otherwise defined corporate residence for patent cases and therefore the statutory definition found in § 1391(c) is no longer applicable to patent cases. As Heartland itself acknowledges, "most special venue statutes have not been held to encompass particular rules about residency, and thus subsection (c) can apply to such statutes wherever they are found in the U.S. Code." Pet. 7-8. The patent venue statute, 28 U.S.C. § 1400(b), provides in its entirety: "Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business." It is undisputed that the patent venue statute itself does not define corporate residence and thus there is no statutory "law" that would satisfy Heartland's claim that Congress intended in 2011 to render § 1391(c)'s definition of corporate residence inapplicable to venue for patent cases. However, Heartland argues that Congress intended to include federal common law limited to Supreme Court precedent in the law which could otherwise define corporate residence and thus render the statutory

definition of § 1391(c) inapplicable.[1] Accepting without deciding whether Heartland is correct that "except as otherwise provided by law" includes such federal common law, Heartland has not established that federal common law actually supports its position. Heartland asks us to presume that in the 2011 amendments Congress codified the Supreme Court's decision in *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222, 77 S. Ct. 787, 1 L. Ed. 2d 786 (1957) regarding the patent venue statute that was in effect prior to the 1988 amendments. We find this argument to be utterly without merit or logic. The venue statute was amended in 1988 and in *VE Holding*, this court held that those amendments rendered the statutory definition of corporate residence found in § 1391 applicable to patent cases. In *VE Holding*, we found that the Supreme Court's decision in *Fourco* with regard to the appropriate definition of corporate residence for patent cases in the absence of an applicable statute to be no longer the law because in the 1988 amendments Congress had made the definition of corporate residence applicable to patent cases. 28 U.S.C. § 1391(c) (1988) ("For the purposes of venue under this chapter"). In 1988, the common law definition of corporate residence for patent cases was superseded by a Congressional one. Thus, in 2011, there was no established governing Supreme Court common law ruling which Congress could even arguably

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1. *Dubitante*: Heartland's briefs cite nothing to support its idea that the general statement "except as otherwise provided by law" was meant to codify Supreme Court common law. And the briefs do not cite a single case holding that Congress codified Supreme Court common law into a statute using such general language like that at issue here.

have been codifying in the language "except otherwise provided by law."

Heartland cites to a single sentence in a footnote in the Supreme Court's decision in *Atlantic Marine Construction Co. v. United States District Court for the Western District of Texas*, 134 S. Ct. 568, 577 n.2, 187 L. Ed. 2d 487 (2013), to argue "the Supreme Court showed its belief that § 1391 is not applicable to patent cases, and § 1400 is." Reply 9. Heartland's argument misses its mark. The Supreme Court's footnote states in its entirety: "Section 1391 governs 'venue generally,' that is, in cases where a more specific venue provision does not apply. *Cf.*, *e.g.*, § 1400 (identifying proper venue for copyright and patent suits)." *Atl. Marine Constr. Co.*, 134 S. Ct. at 577 n.2. It is undisputed that § 1400 is a specific venue provision pertaining to patent infringement suits. But what Heartland overlooks, and what *Atlantic Marine* does not address, is that § 1400(b) states that venue is appropriate for a patent infringement suit "where the defendant resides" without defining what "resides" means when the defendant is a corporation. The general statement in this footnote is completely accurate, but cannot be transmogrified into the argument made by Heartland. "[T]he general statute, § 1391(c), expressly reads itself into the specific statute, § 1400(b)," "only operates to define a term in § 1400(b)," and does not "conflict with § 1400(b)." *VE Holding*, 917 F.2d at 1580.

Heartland has presented no evidence which supports its view that Congress intended to codify *Fourco* in its 2011 amendments. In fact, before and after these

amendments, in the context of considering amending the patent venue statute, Congressional reports have repeatedly recognized that *VE Holding* is the prevailing law. *See* H.R. Rep. No. 110-314, at 39-40 (2007); S. Rep. No. 110-259, at 25 (2008); H.R. Rep. No. 114-235, at 34 (2015) (stating that "Congress must correct" our holding in *VE Holding* by amending § 1400); *cf.* Venue Equity and Non-Uniformity Elimination Act of 2016, S. 2733, 114th Cong. § 2(a) (2016).[2] Even if Congress' 2011 amendments were meant to capture existing federal common law, as Heartland argues, regarding the definition of corporate residence for venue in patent suits, *Fourco* was not and is not the prevailing law that would have been captured. We reject Heartland's argument that in 2011 Congress codified the common law regarding venue in patent suits as described in *Fourco*.

B. Personal Jurisdiction

Heartland's argument regarding personal jurisdiction in this case is, as the Magistrate Judge noted, difficult to follow.[3] Heartland appears to be arguing that 1) the

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2. In fact, the 2007 House Report indicates that the House Judiciary Committee "believes that simply returning to the 1948 venue framework [*i.e.*, that described in *Fourco*] would be too strict for modern patterns of technology development and global commerce." H.R. Rep. No. 110-314, at 40 (2007).

3. It appears that Heartland does not contest jurisdiction under Delaware's long-arm statute. As such, we, like the district court, interpret Heartland's argument to be that the Delaware district court lacks specific personal jurisdiction under the Due Process Clause of the Fourteenth Amendment.

Supreme Court's recent decision in *Walden v. Fiore*, 134 S. Ct. 1115, 1121 n.6, 188 L. Ed. 2d 12 (2014), makes clear that specific personal jurisdiction can only arise from activities or occurrences taking place in the forum state, and 2) Federal Circuit case law makes clear that each act of patent infringement gives rise to a separate cause of action, such that 3) the logical combination of these two points of law means that the Delaware district court has specific personal jurisdiction over Heartland for allegedly infringing acts that occurred in Delaware only, not those occurring in other states.[4] Applied to the facts of record, under Heartland's argument, the Delaware district court would only have specific personal jurisdiction over the approximately 2% of Heartland's 2013 sales of the accused product (*i.e.*, 44,707 cases of the accused product that generated at least $331,000 in revenue) that Heartland shipped into Delaware. Thus, to resolve nationwide the same issues as in this Delaware infringement suit, Kraft would have to bring separate suits in all other states in which Heartland's allegedly infringing products are found. Alternatively, under Heartland's argument, Kraft could opt to bring one suit against Heartland in Heartland's state of incorporation.[5]

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4. Heartland argues even for the 2% of products it shipped to Delaware it did not "purposefully avail" itself of the privilege of conducting activities in Delaware and thus the due process requirement for specific personal jurisdiction is not met. Heartland has not established that it is clearly and indisputably entitled to relief on this point.

5. In its Reply and its rebuttal at oral argument, Heartland made a new argument that it asserts is a "complete answer:" that Kraft would be able to bring a single suit in a jurisdiction other

Heartland's arguments are foreclosed by our decision in *Beverly Hills Fan*. In that case, we held that the due process requirement that a defendant have sufficient minimum contacts with the forum was met where a non-resident defendant purposefully shipped accused products into the forum through an established distribution channel and the cause of action for patent infringement was alleged to arise out of those activities. *Beverly Hills Fan*, 21 F.3d at 1565; *see also Acorda Therapeutics Inc. v. Mylan Pharms. Inc.*, Nos. 2015-1456, 817 F.3d 755, 2016 U.S. App. LEXIS 4942, 2015-1460, 2016 WL 1077048, at *7 (Fed. Cir. Mar. 18, 2016) (determining that the minimum contacts requirement was met where a defendant contracted with a network of independent wholesalers and distributors

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than where Heartland is incorporated because "[u]nder Federal Rule of Civil Procedure 4(k)(1)(C), a patentee can obtain personal [jurisdiction] by serving process under [28 U.S.C.] § 1694 and thereby obtain complete relief in any district where a defendant 'has committed acts of infringement and has a regular and established place of business.'" Reply 1 (quoting 28 U.S.C. § 1400(b)). Heartland did not raise this argument before the district court. In fact, Heartland made a contradictory argument before the district court, stating in its opening brief to the Magistrate Judge that "[t]here is no federal statute that authorizes service of originating process in patent cases, so Federal Rule of Civil Procedure 4(k)(1)(C) does not apply." Heartland's Opening Br. at 5, *Kraft Foods Grp. Brands LLC v. TC Heartland, LLC*, No. 14-28-LPS (D. Del. June 23, 2014), ECF No. 8. And Heartland did not raise this argument in its petition for a writ of *mandamus*. Thus, Kraft did not have an opportunity to respond to Heartland's new argument, and, based on Heartland's arguments before the district court, it would not have expected to face such an argument. Heartland's belated raising of this new argument is especially inappropriate in the context of a petition for a writ of *mandamus*.

to market the accused product in Delaware, the forum state). Such is the case here. Heartland admits that it shipped orders of the accused products directly to Delaware under contracts with what it characterizes as "two national accounts" that are headquartered outside of Delaware. And Heartland does not dispute that Kraft's patent infringement claims arise out of or relate to these shipments. This is sufficient for minimum contacts.

We also held in *Beverly Hills Fan* that, even where there are sufficient minimum contacts under a stream of commerce theory or otherwise, due process also requires that a forum's assertion of jurisdiction be reasonable, considering all the facts and circumstances of a case. *Beverly Hills Fan*, 21 F.3d at 1568; *see also Int'l Shoe Co. v. Washington*, 326 U.S. 310, 316, 66 S. Ct. 154, 90 L. Ed. 95 (1947) (explaining that due process requires that "maintenance of the suit does not offend 'traditional notions of fair play and substantial justice'"). We explained that the forum state had significant interests in discouraging injuries that occur within the state, such as patent infringement, and in cooperating with other states to provide a forum for efficiently litigating a plaintiff's cause of action. *Beverly Hills Fan*, 21 F.3d at 1568. We further explained that the plaintiff could seek redress in the forum state for sales of the accused product in other states, thereby sparing other states the burden of also having to provide such a forum and protecting defendants from being harassed with multiple infringement suits. *Id.* And we explained that the burden on the defendant did not appear particularly significant and was not sufficiently compelling to outweigh the plaintiff's and the forum state's

interests. *Id.* at 1569. Heartland does not argue that the district court's exercise of jurisdiction is unreasonable, nor does it dispute that the balance of the plaintiff's and forum state's interests against the burdens imposed on it is any different than those in *Beverly Hills Fan*. Instead, it argues that our statement in *Beverly Hills Fan* that a forum state could hear claims for infringing acts occurring outside of the forum state was *dictum*. We do not agree. Heartland also argues that we ought to be guided by the Supreme Court's footnote in *Walden*. We are bound by *Beverly Hills Fan* and the Supreme Court's general statement in Footnote 6 of *Walden* cannot be read to overturn *sub silentio Beverly Hills Fan*.

Conclusion

Heartland's arguments are foreclosed by our long standing precedent. Heartland has thus failed to show that its right to *mandamus* is clear and indisputable.

Accordingly,

It Is Ordered That:

The petition for a writ of *mandamus* is denied.

For the Court

April 29, 2016
Date

/s/ Daniel E. O'Toole
Daniel E. O'Toole
Clerk of Court

APPENDIX B — MEMORANDUM ORDER OF THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF DELAWARE, FILED SEPTEMBER 24, 2015

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

Civil Action No. 14-28-LPS

KRAFT FOODS GROUP BRANDS LLC,

Plaintiff,

v.

TC HEARTLAND, LLC D/B/A HEARTLAND FOOD PRODUCTS GROUP AND HEARTLAND PACKAGING CORPORATION,

Defendants.

September 24, 2015, Decided
September 24, 2015, Filed

MEMORANDUM ORDER

WHEREAS, Magistrate Judge Burke issued a 30-page Report and Recommendations ("Report") (D.I. 59), dated August 13, 2015, recommending that Defendants TC Heartland, LLC ("TC Heartland") and Heartland Packaging Corporation's ("HPC") (collectively, "Defendants") Motion to Dismiss Claims for Lack of Personal Jurisdiction and for Transfer of Venue to the Southern District of Indiana ("Motion") (D.I. 7) be denied;

WHEREAS, on August 27, 2015, Defendants objected to the Report ("Objections") (D.I. 70), and specifically objected to (1) the Report's conclusion that this Court has personal jurisdiction with respect to the entirety of this action and, thus, its recommendation that the Motion to Dismiss Claims for Lack of Personal Jurisdiction be denied; and (2) the Report's findings that 28 U.S.C. § 1391(c) permits venue in this district and, thus, its recommendation that the Motion for Transfer of Venue to the Southern District of Indiana be denied;

WHEREAS, on September 14, 2015, Plaintiff Kraft Foods Group Brands LLC ("Kraft" or "Plaintiff") responded to the Objections (D.I. 78), arguing that the Report

> correctly . . . determined that (1) jurisdiction over Heartland is appropriate as to all of Kraft's patent infringement claims [because] Heartland purposefully placed infringing products into the stream of commerce knowing full well that such products would be sold in Delaware; and (2) venue in this case is proper in the District of Delaware because it is a court in which jurisdiction exists as to Heartland with respect to this action.

(*Id.* at 1);

WHEREAS, the Court has considered Defendant's Motion *de novo*, as it presents case-dispositive issues, *see* 28 U.S.C. § 636(b)(1); Fed. R. Civ. P. 72(b)(3), and has further reviewed all of the pertinent filings;

NOW THEREFORE, IT IS HEREBY ORDERED that:

1. Defendants' Objections (D.I. 70) are OVERRULED, Judge Burke's Report (D.I. 59) is ADOPTED in all respects, and Defendants' Motion (D.I. 7) is DENIED.

2. The Report correctly concluded that the Court's personal jurisdiction analysis is not governed by *Sears, Roebuck & Co. v. Sears plc*, 752 F. Supp. 1223, 1228 (D. Del. 1990), but rather by *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558, 1571 (Fed. Cir. 1994). Sears was a district court trademark case finding that because "[e]ach of the alleged trade name infringements by PLC's subsidiaries is a separate and unrelated cause of action occurring in a separate forum," personal jurisdiction only existed over the trade name infringements occurring in the forum state. 752 F. Supp. at 1228-30. *Sears* predates the Federal Circuit's holding in *Beverly Hills Fan Co.* that personal jurisdiction exists ***in patent cases*** where, as here, the "defendants purposefully shipped the accused [product] into [the forum state] through an established distribution channel." 21 F.3d at 1571. The Supreme Court's recent ruling in *Walden v. Fiore*, 134 S. Ct. 1115, 188 L. Ed. 2d 12 (2014), does not change the Court's conclusion that *Beverly Hills Fan Co.* continues to govern the Due Process analysis in a patent case. The quote from *Walden* (which was also not a patent case) relied on by Defendants — that in order for the Court to have specific personal jurisdiction over a claim, the claim must arise from "an 'activity or an occurrence that takes place in the forum state,'" 134 S. Ct. at 1121 n.6 (quoting *Goodyear Dunlop Tires Operations, S.A. v. Brown*, 564 U.S. 915, 131 S. Ct. 2846, 2851, 180 L. Ed. 2d 796 (2011))

— does not overrule *Beverly Hills Fan Co.* and in no way suggests that personal jurisdiction in a patent case, once found to exist, is limited to acts of infringement occurring within the forum state.[1]

3. The Report also correctly concluded that the 2011 Jurisdiction and Venue Clarification Act's amendment of 28 U.S.C. § 1391 did not undo the Federal Circuit's decision in *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1575, 1579-84 (Fed. Cir. 1990), that "Section 1391(c) applies to all of chapter 87 of title 28, and thus to § 1400(b)" and venue is appropriate for a defendant in a patent infringement case where personal jurisdiction exists. Plaintiff cites Federal Circuit and other district court decisions post-dating the 2011 amendment and reaffirming the vitality of the holding of *VE Holding*. (*See, e.g.*, D.I. 78 at 6-10) (citing cases as well as legislative history).

4. Given the detailed reasoning provided in the Report, and that the parties have not raised any arguments that are not adequately addressed in the Report, the Court finds it unnecessary to discuss Defendant's Motion (D.I. 7) or Defendants' Objections (D.I. 70) any further.

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1. Defendants' further contention that "no court has ever held that alleged in-state infringements can be remedied by multiplying the plaintiff's damages caused by such infringements by a factor of ten or twenty or forty in order to account for alleged losses that the patentee might have suffered elsewhere in the country" (D.I. 70 at 4) is unavailing. The appropriateness of whatever damages analysis Plaintiff may ultimately choose to present is not before the Court.

Appendix B

September 24, 2015
Wilmington, Delaware

/s/ Leonard P. Stark
HONORABLE LEONARD P. STARK
UNITED STATES DISTRICT JUDGE

Appendix B

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

Civil Action No. 14-28-LPS

KRAFT FOODS GROUP BRANDS LLC,

Plaintiff,

v.

TC HEARTLAND, LLC D/B/A HEARTLAND FOOD PRODUCTS GROUP AND HEARTLAND PACKAGING CORPORATION,

Defendants.

August 13, 2015, Decided
August 13, 2015, Filed

REPORT AND RECOMMENDATION

Presently pending before the Court in this patent infringement suit is Defendants TC Heartland, LLC ("TC Heartland") and Heartland Packaging Corporation's ("HPC") (collectively, "Defendants") Motion to Dismiss Claims for Lack of Personal Jurisdiction and for Transfer of Venue to the Southern District of Indiana (the "Motion"). (D.I. 7) Defendants seek dismissal of Plaintiff Kraft Foods Group Brands LLC's ("Plaintiff") Complaint according to Federal Rule of Civil Procedure 12(b)(2) for lack of personal jurisdiction. (*Id.*; D.I. 8 at 4-10) Defendants further ask the Court to transfer venue of this action to the Southern District of Indiana, pursuant to 28 U.S.C.

§§ 1404 and 1406. (D.I. 7) For the reasons set forth below, the Court recommends that Defendants' Motion be DENIED.

I. BACKGROUND

A. Factual Background

Plaintiff is a corporation organized and existing under the laws of the State of Delaware, and maintains its principal place of business in Northfield, Illinois. (D.I. 1 at ¶ 1) Plaintiff alleges that it does business in Delaware "through manufacturing facilities and products sold." (*Id.*)

Defendant TC Heartland is a limited liability company organized and existing under the laws of the State of Indiana; it maintains its headquarters in Carmel, Indiana. (D.I. 9 at ¶ 3) TC Heartland develops, tests and manufactures the accused "liquid water enhancer products" (the "accused products") at facilities in both Carmel and Indianapolis, Indiana. (*Id.*) TC Heartland alleges, and Plaintiff does not contest, that it "is not registered to do business in Delaware and has no office, property, employees, agents, distributors, bank accounts, or other local presence in Delaware." (D.I. 8 at 3; *see* D.I. 9 at ¶¶ 4-18) TC Heartland also claims that it has not entered into any supply contracts in Delaware and that it does not call on any accounts in Delaware to solicit sales. (D.I. 9 at ¶¶ 13, 17) TC Heartland admits, however, that it does ship orders of the accused products directly to Delaware under contracts with "two national accounts" that are headquartered outside of Delaware. (*Id.* at ¶ 19) In 2013, these shipments by TC Heartland amounted to approximately 2% of TC Heartland's total sales of the

accused products. (*Id.* at ¶ 20 (stating that, in 2013, "more than 98% of TC Heartland's liquid water enhancer sales were shipped to destinations outside of Delaware."))[1]

Defendant HPC is incorporated in the State of Indiana, and Plaintiff alleges that HPC's principal place of business is in Carmel, Indiana. (D.I. 1 at ¶ 3) Defendants contend that HPC ceased doing business years ago and has never sold the accused products.[2] (D.I. 8 at 3 n.1; *see also* D.I. 9 at ¶ 2)

B. Procedural History

Plaintiff commenced this action on January 14, 2014, alleging infringement of the three patents-in-suit. (D.I. 1 at 3-4) Defendants' Motion was filed on June 23, 2014, (D.I. 7), and it was referred to the Court for resolution by Chief Judge Leonard P. Stark on July 15, 2014, (D.I. 13). The Motion was not fully briefed, however, until October 14, 2014. (D.I. 26)

At both parties' request, (D.I. 27, 29), the Court held oral argument on the Motion on December 22, 2014. Following oral argument, the parties filed supplemental letter briefs regarding the legislative history of 28 U.S.C.

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1. In their opening brief, Defendants stated that these orders amount to "approximately 2% of TC Heartland's liquid water enhancer sales volume[.]" (D.I. 8 at 13) In their reply brief, Defendants framed those orders as accounting for "less than 2%" of TC Heartland's allegedly infringing sales. (D.I. 26 at 7 n.1)

2. Because Defendants do not move to dismiss on that basis, the Court will not further address herein Defendants' assertions regarding HPC's activities.

§ 1391 ("Section 1391")—a statute that was addressed in the parties' briefs and at oral argument. The Court received those supplemental letter briefs on January 7, 2015. (D.I. 34, 35)

II. DISCUSSION

A. Personal Jurisdiction

1. Legal Standard

Rule 12(b)(2) requires the Court to dismiss any case in which it lacks personal jurisdiction. Fed. R. Civ. P. 12(b)(2). As an initial matter, if a jurisdictional defense is raised by way of a Rule 12(b)(2) motion, then the plaintiff bears the burden of showing the basis for jurisdiction. *Eastman Chem. Co. v. AlphaPet Inc.*, Civ. Action No. 09-971-LPS-CJB, 2011 U.S. Dist. LEXIS 158477, 2011 WL 6004079, at *3 (D. Del. Nov. 18, 2011). To satisfy its burden at this stage of the litigation, in a case where the district court has not held an evidentiary hearing, the plaintiff need only establish a *prima facie* case of personal jurisdiction. *Metcalfe v. Renaissance Marine Inc.*, 566 F.3d 324, 330, 51 V.I. 1219 (3d Cir. 2009); *Power Integrations, Inc. v. BCD Semiconductor Corp.*, 547 F. Supp. 2d 365, 369 (D. Del. 2008); *see also Celgard, LLC v. SK Innovation Co.*, 792 F.3d 1373, 2015 U.S. App. LEXIS 11536, 2015 WL 4068810, at *4 (Fed. Cir. 2015) (holding that the *prima facie* standard applies where "jurisdictional discovery [has been] conducted and the district court did not conduct a jurisdictional hearing," if the parties have not agreed that there are no facts in dispute). All factual inferences to be drawn from the pleadings, affidavits and exhibits must be drawn in the

plaintiff's favor at this stage. *Eastman Chem. Co.*, 2011 U.S. Dist. LEXIS 158477, 2011 WL 6004079, at *3; *Power Integrations, Inc.*, 547 F. Supp. 2d at 369.

The Supreme Court of the United States has recognized two classifications of personal jurisdiction: "general jurisdiction" and "specific jurisdiction." *Goodyear Dunlop Tires Operations, S.A. v. Brown*, 131 S. Ct. 2846, 2853-54, 180 L. Ed. 2d 796 (2011) (internal quotation marks and citations omitted). The Supreme Court distinguished between these concepts in *International Shoe Co. v. Washington*, 326 U.S. 310, 66 S. Ct. 154, 90 L. Ed. 95 (1945), which remains the "'canonical opinion'" in the area of personal jurisdiction. *Daimler AG v. Bauman*, 134 S. Ct. 746, 754, 187 L. Ed. 2d 624 (2014) (citation omitted). "Specific jurisdiction" encompasses causes of action that "'aris[e] out of or relate[] to the defendant's contacts with the forum.'" *Goodyear*, 131 S. Ct. at 2853 (quoting *Helicopteros Nacionales de Colombia, S.A. v. Hall*, 466 U.S. 408, 414 n.8, 104 S. Ct. 1868, 80 L. Ed. 2d 404 (1984)). "General jurisdiction" encompasses complaints arising from dealings that are distinct from the defendant's activities in the state. *Goodyear*, 131 S. Ct. at 2853-54 (citing *International Shoe*, 326 U.S. at 318); *see also Daimler*, 134 S. Ct. at 754. A court may exercise general jurisdiction over a foreign corporation only when the corporation's "affiliations with the State [in which suit is brought] are so 'continuous and systematic' as to render [it] essentially at home in the forum State." *Daimler*, 134 S. Ct. at 754 (quoting *Goodyear*, 131 S. Ct. at 2851).

"To establish personal jurisdiction, the plaintiff must adduce facts sufficient to satisfy two requirements—one statutory and one constitutional." *Eastman Chem. Co.*,

2011 U.S. Dist. LEXIS 158477, 2011 WL 6004079, at *3. The Court must first consider whether the defendant's actions fall within the scope of Delaware's long-arm statute, 10 Del. C. § 3104(c). *Id.*; *Power Integrations, Inc.*, 547 F. Supp. 2d at 369. Second, the Court must determine whether the exercise of jurisdiction comports with the defendant's right to due process. *Eastman Chem. Co.*, 2011 U.S. Dist. LEXIS 158477, 2011 WL 6004079, at *3 (citing *Int'l Shoe Co.*, 326 U.S. at 316); *Power Integrations, Inc.*, 547 F. Supp. 2d at 369. Due process is satisfied if the Court finds that "'minimum contacts'" exist between the non-resident defendant and the forum state, "'such that the maintenance of the suit does not offend traditional notions of fair play and substantial justice.'" *Power Integrations, Inc.*, 547 F. Supp. 2d at 369 (quoting *Int'l Shoe Co.*, 326 U.S. at 316).

2. Claims Relating to the Accused Products That Are Shipped Directly to Delaware

Defendants first appear to assert that the Court lacks specific jurisdiction under the Due Process Clause[3] regarding alleged infringement by the approximately 2% of accused products that Defendants ship directly to Delaware for sale in Delaware. (D.I. 26 at 7-8)[4] In

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3. Defendants do not contest jurisdiction under Delaware's long-arm statute. (D.I. 20 at 4)

4. In their Motion and in their opening brief, Defendants did not clearly move to dismiss Plaintiff's Complaint as to products shipped directly to Delaware. (*See* D.I. 7 at 1 (seeking dismissal only of claims relating to infringement occurring "outside of Delaware"); D.I. 8 at 4 (stating that "*some* of the claims asserted by Kraft might arise from activities or occurrences in Delaware and *might arguably*

considering whether the due process requirement for specific personal jurisdiction is met, the Court assesses: "(1) whether the defendant purposefully directed its activities at residents of the forum state, (2) whether the claim arises out of or relates to the defendant's activities with the forum state, and (3) whether assertion of personal jurisdiction is reasonable and fair." *Celgard*, 2015 U.S. App. LEXIS 11536, 2015 WL 4068810 at *3.[5] Plaintiff bears the burden of establishing the first two factors above, and if it does so, the burden shifts to Defendants to show that personal jurisdiction is unreasonable or unfair. *Id.* "The first two factors correspond with the 'minimum contacts' prong of *International Shoe*, and the third factor corresponds with the 'fair play and substantial justice' prong." *Id.* (internal quotation marks and citation omitted).

In this case, Plaintiff asserts jurisdiction based on a stream-of-commerce theory. (D.I. 20 at 1) The Supreme Court set forth in *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 297, 100 S. Ct. 559, 62 L. Ed. 2d 490 (1980), that a "forum State does not exceed its powers under the Due Process Clause if it asserts personal

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be ones that TC Heartland could lawfully be required to defend in Delaware.") (emphasis in original)) In their reply brief, Defendants seemed to suggest that they *are* seeking dismissal as to claims relating to these products. (D.I. 26 at 7-8) Defendants' argument in that regard is improper, because it was not clearly raised in their opening brief. Regardless, the Court will address the issue here, because it is helpful to resolve it before reaching Defendants' other arguments. This course of action does not prejudice Plaintiff, because the Court ultimately resolves this issue in Plaintiff's favor.

5. The law of the Federal Circuit applies to the due process analysis for questions of specific jurisdiction. *Akro Corp. v. Luker*, 45 F.3d 1541, 1543 (Fed. Cir. 1995).

jurisdiction over a corporation that delivers its products into the stream of commerce with the expectation that they will be purchased by consumers in the forum State." When the Supreme Court next addressed the issue, however, its opinions were split as to whether a court may assert jurisdiction over a defendant who was merely "aware that the final product is being marketed in the forum State[,]" *Asahi Metal Indus. Co., Ltd. v. Superior Court of Cal.*, 480 U.S. 102, 117, 107 S. Ct. 1026, 94 L. Ed. 2d 92 (1987) (Brennan, J., concurring in part), or whether such an assertion requires "an action of the defendant purposefully directed toward the forum State[,]" *id.* at 113 (O'Connor, J.) (emphasis omitted). *See AFTG-TG, LLC v. Nuvoton Tech. Corp.*, 689 F.3d 1358, 1362 (Fed. Cir. 2012) (per curiam) (noting that "[b]ecause neither Justice Brennan's nor Justice O'Connor's [stream-of-commerce] test garnered a majority of the votes in *Asahi*, neither test prevailed as the applicable precedent"). The Supreme Court addressed the issue again in *J. McIntyre Machinery, Ltd. v. Nicastro*, 131 S.Ct. 2780, 180 L. Ed. 2d 765 (2011), but did not resolve the split. *AFTG-TG*, 689 F.3d at 1363 (stating that the Supreme Court "declined to resolve the *Asahi* split in *McIntyre*").

The United States Court of Appeals for the Federal Circuit has also addressed the stream-of-commerce theory. Applying Supreme Court precedent, it held in *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558, 1571 (Fed. Cir. 1994) that where the "defendants purposefully shipped the accused [product] into [the forum state] through an established distribution channel," and the alleged patent infringement arose out of those activities, "[n]o more is usually required to establish specific jurisdiction." *See also AFTG-TG*, 689 F.3d at 1363-

64 (holding that *Beverly Hills Fan* is still the controlling precedent following the Supreme Court's plurality opinion in *J. McIntyre*). This standard has been applied in several recent cases in this District. *See Graphics Properties Holdings, Inc. v. ASUS Computer Int'l*, 70 F. Supp. 3d 654, 662-64 (D. Del. 2014) (holding that foreign defendants' sale of accused products to a California-based subsidiary, knowing that the subsidiary would then sell the products to three physical resale outlets in Delaware, was sufficient to meet the test set forth in *Beverly Hills Fan*); *Robert Bosch LLC v. Alberee Products, Inc.*, 70 F. Supp. 3d 665, 678 (D. Del. 2014) (holding that a defendant had "target[ed] the Delaware market" by "sell[ing] the accused product to the nationwide reseller Costco with the expectation that Costco will sell the accused product in all parts of the United States, including Delaware").

Here, Defendants admit that they knowingly and intentionally shipped approximately 2% of the accused products from their Indiana manufacturing facility to two of their customers' distribution facilities in Delaware. (D.I. 8 at 13; D.I. 9 at ¶ 19; D.I. 20, ex. 1 at 33; D.I. 26 at 7) In 2013, for example, Defendants sent 44,707 cases of their products to Delaware, some subset of which included accused products; the accused products that were shipped to Delaware in that year generated at least $331,000 in sales revenue. (D.I. 20, ex. A at 25-26) Defendants also do not dispute that Plaintiff's claims arise out of or relate to these shipments. However, Defendants claim that these shipments were "initiated" by their customers—not by them. (D.I. 26 at 8 ("[A]ll Heartland shipments of [accused] products to Delaware were *initiated* by Customer, under purchase orders submitted to Heartland in Indiana . . .") (emphasis added)) Citing to the Federal Circuit's decision

in *AFTG-TG, LLC v. Nuvoton Tech. Corp.*, 689 F.3d 1358 (Fed. Cir. 2012) (per curiam), Defendants assert that because they did not originate the idea to ship the products to Delaware, then their actions thus do not amount to "purposeful" conduct directed toward Delaware. (*Id.*)

But *AFTG-TG*—a case in which the Federal Circuit affirmed a district court's finding of the lack of personal jurisdiction—did not appear to turn on whether or not the defendants were the party who *initiated or first encouraged* the shipment of the accused products to the forum state. *AFTG-TG*, 689 F.3d at 1365. Instead, the *AFTG-TG* Court seemed to focus its decision on the following facts: (1) that at most, one of the defendants had made an "isolated" number of shipments of products to the forum state; (2) the cause of action for patent infringement in the case did not arise out of those isolated shipments (which were not shown to include infringing products); and (3) there was no evidence that the forum was part of the defendants' regular and established distribution channels. *Id.* at 1361-62, 1365. Although the *AFTG-TG* Court did note that the limited shipments to the forum state were made "at the request of third parties[,]" that fact does not appear to have played a significant role in the Court's ultimate decision. *Id.* And other cases from this District have made clear that shipments to Delaware may demonstrate purposeful availment, even when those shipments are initiated by a customer (and not by the defendant). *See, e.g., Graphics Properties Holdings Inc. v. Asus Computer Int'l, Inc.*, 964 F. Supp. 2d 320, 326-27 (D. Del. 2013) (holding that "[the defendant's] activities were 'purposeful' because [it] knowingly and intentionally shipped the accused products to two separate customers in Delaware" in satisfaction of customer warranty

obligations).

Defendants also cite to the plurality opinion in *J. McIntyre*, (D.I. 26 at 8), but that case is distinguishable. In that case, the plaintiff alleged only: (1) that the foreign defendant had a relationship with a distributor to sell the relevant products in the United States, (2) that the foreign defendant had attended trade shows in the United States, but not in the forum, and (3) that at least one (and no more than four) of the products ended up in the forum, having been shipped there by the distributor. *J. McIntyre*, 131 S. Ct. at 2782, 2786, 2790; *see also id.* at 2791 (Breyer, J., concurring). Here, in contrast, Defendants themselves knowingly and intentionally shipped a significant number of accused products directly to Delaware. As such, they "purposefully availed themselves of the privilege of conducting activities within [Delaware], thus invoking the benefits and protections of its laws." *J. McIntyre*, 131 S.Ct. at 2788 (internal quotation marks and citation omitted).

In light of the above, the Court holds that Plaintiff has set forth a *prima facie* case of specific jurisdiction as to claims regarding the products, described above, that were shipped to Delaware.

3. Claims Relating to the Remaining 98% of Accused Products

As to the approximately 98% of the products made, used, offered for sale or sold outside of Delaware, Defendants present a novel jurisdictional theory that, if adopted, would result in sweeping changes to the way that patent litigation proceeds in the United States. Defendants assert that: (1) each act of patent infringement

is a separate cause of action; (2) Defendants could not have purposefully directed their activities to the forum regarding the 98% of their products referenced above, nor would infringement claims as to those products "arise from" or "relate to" contact with the forum; and (3) the Supreme Court in *Walden v. Fiore*, 134 S. Ct. 1115, 188 L. Ed. 2d 12 (2014) overruled the Federal Circuit's longstanding rule, set forth in *Beverly Hills Fan*, regarding how the court system should address such out-of-state infringement. (D.I. 8 at 4-10)

By way of background, in *Beverly Hills Fan*, the Federal Circuit held that if the defendant has minimum contacts with the forum state—sufficient to establish specific jurisdiction as to sales of a product within that state—then the plaintiff "will be able to seek redress [there] for sales of the accused [product] to consumers in . . . other states [,]" even if "the bulk of the harm inflicted on [the plaintiff] may occur through sales in these other states." *Beverly Hills Fan*, 21 F.3d at 1568 & n.21. This outcome was said to comport with notions of fair play and substantial justice inherent in a due process inquiry, because the forum state not only has an interest in discouraging in-state patent infringement-related injuries, but also has a "substantial interest in cooperating with other states to provide a forum for efficiently litigating plaintiff's cause of action." *Id.* at 1568. The *Beverly Hills Fan* Court noted that this outcome would ensure that "[t]he [non-forum] states will . . . be spared the burden of providing a forum for [the plaintiff] to seek redress for these sales" and that it would also protect defendants "from harassment resulting from multiple suits" in many different states. *Id.*

In coming to this conclusion, the Federal Circuit relied on the Supreme Court's holding in *Keeton v. Hustler Magazine, Inc.*, 465 U.S. 770, 104 S. Ct. 1473, 79 L. Ed. 2d 790 (1984). *Keeton* addressed the question of whether a court in New Hampshire had specific jurisdiction to hear a multistate libel action, where most of the damages had occurred in other states, and where the statute of limitations for bringing a libel action in those states had expired. *Id.* at 112-74, 780. Plaintiff there sought redress under the "'single publication rule'" for libel actions, which states that plaintiffs in such actions may be compensated for "'damages caused in *all* states' . . . even though the bulk of petitioner's alleged injuries had been sustained outside [the forum state]." *Id.* at 773 (emphasis in original). But the Court of Appeals had held that it would be "'unfair'" for the New Hampshire court to apply this rule and to assert jurisdiction over these out-of-state injuries. *Id.*

The Supreme Court reversed. It determined that a state "has a substantial interest in cooperating with other States, through the 'single publication rule,' to provide a forum for efficiently litigating all issues and damage claims arising out of a libel in a unitary proceeding." *Id.* at 777. The Court noted that addressing all instances of libel in a single proceeding, even if those instances occurred outside of the forum, "reduces the potential serious drain of libel cases on judicial resources" and serves to protect defendants from harassment resulting from multiple suits. *Id.* It held that "since respondent can be charged with knowledge of the 'single publication rule,' it must anticipate that such a suit will seek nationwide damages." *Id.* at 781. Because the defendant "produce[d] a national publication aimed at a nationwide audience[,]" the Court held that "[t]here [was] no unfairness in calling it to answer

for the contents of that publication wherever a substantial number of copies are regularly sold and distributed." *Id.*

Turning back to Defendants' arguments here, they first assert that "'each act of patent infringement gives rise to a separate cause of action[,]'" and that jurisdiction over some of those causes of action (those associated with the use or sale of the 2% of accused products shipped to Delaware) does not lead to jurisdiction over others (those relating to the 98% of accused products shipped to other fora). (D.I. 8 at 4 (quoting *Hazelquist v. Guchi Moochie Tackle Co.*, 437 F.3d 1178, 1180 (Fed. Cir. 2006)); D.I. 36 (hereinafter, "Tr.") at 18)

However, none of the cases cited by Defendants in support of their "separate cause of action" argument relate to personal jurisdiction at all. (D.I. 8 at 4-5) Instead, they relate to *when* a cause of action for infringement arose.[6] Indeed, Defendants have not cited any patent case that states that personal jurisdiction exists in a forum only as to the portion of the accused products that are made, used, offered for sale or sold within that forum. It is clear that *Beverly Hills Fan* is the controlling precedent

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6. See *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962, 1969, 1972-74, 188 L. Ed. 2d 979 (2014) (addressing the "separate-accrual rule" for the copyright statute of limitations); *Hazelquist*, 437 F.3d at 1180-81 (holding that acts of patent infringement occurring after a bankruptcy each "gives rise to a cause of action that dates from the moment of infringement, after the discharge of [the defendant's] debts"); *E.I. du Pont de Nemours & Co. v. MacDermid Printing Solutions, L.L.C.*, 525 F.3d 1353, 1362 (Fed. Cir. 2008) (recognizing that "each act of infringement gives rise to a separate cause of action" with regard to whether the infringement arose before or after a certificate of correction was issued).

on this issue, and that case held that a court *can* assert jurisdiction over out-of-state infringement activities in a patent action, in a manner somewhat analogous to the circumstances addressed in *Keeton*. *Beverly Hills Fan*, 21 F.3d at 1568; *cf. Loyalty Conversion Sys. Corp. v. Am. Airlines, Inc.*, 66 F. Supp. 3d 795, 812 (E.D. Tex. 2014) (Bryson, J.) ("With respect to its activities in Texas, [the defendant] is in the same situation as many other national corporations that sell products or services nationwide. Those companies are subject to specific jurisdiction in any district in which their infringing products are sold.") (citing *Beverly Hills Fan* and *Keeton*); *see also Patent Rights Prot. Grp., LLC v. Video Gaming Techs., Inc.*, 603 F.3d 1364, 1370-71 (Fed. Cir. 2010) (citing Beverly Hills Fan and Keeton to reverse a lower court holding that a forum lacked personal jurisdiction over defendants, in part because a contrary holding would require the patentee to pursue multiple separate actions against the defendants in their home states).

Defendants' next argument is that in *Walden*, the Supreme Court "distinguished" *Keeton* and "effectively overrule[d]" *Beverly Hills Fan*. (D.I. 8 at 9-10) In *Walden*, the Supreme Court rejected a theory of specific jurisdiction that was based on the state of residence of the plaintiff, holding that "plaintiff cannot be the only link between the defendant and the forum." *Walden*, 134 S. Ct. at 1121-26. It distinguished prior cases, including *Keeton*, as relying on ties between the defendant and the *forum*, rather than between the defendant and the *plaintiff*. *Id.* at 1123-24.

The Court concludes that *Walden* did not overrule, or even impact, the holdings in *Keeton* or *Beverly Hills Fan*.

Keeton involved a finding of specific jurisdiction based on the defendant's sales within the forum; plaintiff's "only connection with [the forum was] the circulation there of [copies of] a magazine that she assist[ed] in producing." *Keeton*, 465 U.S. at 772. Thus, *Walden*'s, holding that jurisdiction cannot be based on the state of residency of a plaintiff is simply irrelevant to *Keeton*'s core holding. Likewise, *Beverly Hills Fan* relied on the fact that "at least fifty-two" of the defendants' products were present in the forum, which reflected an "ongoing relationship" with a retailer in that forum. *Beverly Hills Fan*, 21 F.3d at 1565. That, in turn, demonstrated that the defendants had "intentionally established" a distribution channel and that the "defendants knew, or reasonably could have foreseen, that a termination point of the channel was [the forum state.]" *Id. Beverly Hills Fan* did not rely on the contacts between the plaintiff and the forum, and as a result, its holding is not impacted in any way by *Walden*.[7]

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7. Defendants also rely on *Sears, Roebuck & Co. v. Sears PLC*, 752 F. Supp. 1223, 1228-30 (D. Del. 1990), (D.I. 8 at 5; Tr. at 36-37), which addressed whether "the Court can exercise specific personal jurisdiction over [the defendant] for the acts of its non-Delaware subsidiaries" in a trademark and trade name infringement action. The Court noted that "the rule" in a trade name infringement action is that "each case of trade name or trademark infringement is a separate tort arising where the confusion to the customer occurs," and that the separate torts in other states committed by the subsidiaries did not "arise from" the defendant's contacts with Delaware. *Id.* at 1228-30. It found no reason to depart from that rule, and distinguished *Keeton* as applying the "single publication rule," which rendered a libelous publication a single, nationwide tort. *Id.* at 1229-30.

However, this is a patent case, and the relevant precedent is that established by *Beverly Hills Fan*—that a state with

In sum, Defendants have not persuaded the Court that the rule set forth in *Beverly Hills Fan* is inapplicable or has been overruled.

4. Conclusion

For the reasons set out above, the Court therefore recommends that the District Court deny Defendants' Motion as to Defendants' specific jurisdiction arguments.

B. Transfer Under 28 U.S.C. § 1406(a)

Defendants next argue that a major change in the law has also occurred with respect to venue. That is, they claim that venue in a patent action is now appropriate only in a defendant's state of incorporation, or "where the defendant has committed acts of infringement and has a regular and established place of business." (D.I. 8 at 10 (quoting 28 U.S.C. § 1400(b))

1. Legal Standard

Venue in a patent action is governed by 28 U.S.C. § 1400(b), which provides that:

> Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant

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jurisdiction over the infringing use or sale of a product arising out of or relating to a defendant's contacts with that state also has jurisdiction to award damages for infringing activity that occurs in other states. *Beverly Hills Fan*, 21 F.3d at 1568. Thus, this Court's holding in *Sears* cannot have the impact Defendants ascribe to it.

> has committed acts of infringement and has a regular and established place of business.

Also relevant here is the general venue statute, Section 1391, which, *inter alia*, states that a corporate defendant is "deemed to reside . . . in any judicial district in which [it] is subject to the court's personal jurisdiction with respect to the civil action in question[.]" 28 U.S.C. § 1391(c).

If a case is filed in an improper venue, 28 U.S.C. § 1406(a) provides that a court shall "dismiss, or if it be in the interest of justice, transfer [the] case to any district or division in which it could have been brought."

2. Analysis

Defendants note that Section 1391(c) was amended in 2011, and claim that these amendments had the effect of changing the state of patent venue as it relates to Section 1400(b). (D.I. 8 at 11) To understand Defendants' argument, some backtracking is required.

The interaction between sections 1400(b) and 1391(c) was addressed by the Supreme Court's 1957 opinion in *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222, 77 S. Ct. 787, 1 L. Ed. 2d 786 (1957). *Fourco* held that venue in a patent action is governed by Section 1400(b), which was "not to be supplemented by the provisions of [Section] 1391(c)." *Id.* at 229. The Supreme Court viewed Section 1391(c) as general venue statute, and Section 1400(b) as a specific venue statute; it concluded that the general statute does not override the specific statute. *Id.* at 228-29. In light of this, the Supreme Court went on to hold that "the residence of a corporation for purposes of

[Section] 1400(b) is its place of incorporation." *Brunette Mach. Works, Ltd. v. Kockum Indus., Inc.*, 406 U.S. 706, 707 n.2, 92 S. Ct. 1936, 32 L. Ed. 2d 428 (1972) (citing *Fourco*, 353 U.S. 222, 77 S. Ct. 787, 1 L. Ed. 2d 786).

Then, in 1988, Congress amended Section 1391(c). In doing so, it added the language "[f]or purposes of venue under this chapter" before the beginning of the rest of Section 1391(c)'s text. *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1578 (Fed. Cir. 1990). In light of those amendments, the Federal Circuit in *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990), held that Section 1391(c) now governs the meaning of "resides" in Section 1400(b). *Id.* at 1579-84. The Federal Circuit determined that the typical rule (that a specific statute like Section 1400(b) supercedes a general one like Section 1391(c)) no longer applied in this instance, for several reasons. *Id.* at 1580. First, the Court stated that "the [amended] general statute, § 1391(c), expressly reads itself into the specific statute, § 1400(b)[.]" *Id.* Additionally, it noted that the amended "§ 1391(c) only operates to define a term in § 1400(b)—it neither alone governs patent venue nor establishes a [separate] patent venue rule[,]" and it does not otherwise conflict with Section 1400(b). *Id.* Thus, according to *VE Holding*, the language of Section 1391(c) revealed "a clear intention" to supplement Section 1400(b); as a result, the Court found that a patent infringement action may be brought in any forum that has personal jurisdiction over the defendant corporation. *Id.* at 1581 (internal quotation marks and citation omitted). That conclusion has stood undisturbed by the Federal Circuit since *VE Holding*. *See, e.g., In re Apple Inc.*, 456 F. App'x 907, 908 (Fed. Cir. 2012) (noting in dicta that "28 U.S.C. § 1400(b) . . . authorizes

venue jurisdiction over any patent infringement suit where an alleged act of infringement has been committed.").

In 2011, Congress passed the Federal Courts Jurisdiction and Venue Clarification Act of 2011 (the "Act"), which again amended Section 1391(c). Pub. L. No. 112-63, 125 Stat. 758, 763-64 (Dec. 7, 2011); *see* 28 U.S.C. § 1391 (2011). The Act replaced the words in Section 1391(c) that *VE Holding* relied on ("[f]or purposes of venue under this chapter") with new language: "[f]or all venue purposes[.]" *Id.* Congress also altered Section 1391(a) to read as follows:

> **(a) Applicability of section.**--Except as otherwise provided by law—
>
> (1) this section shall govern the venue of all civil actions brought in district courts of the United States; and
>
> (2) the proper venue for a civil action shall be determined without regard to whether the action is local or transitory in nature.

28 U.S.C. § 1391(a).[8]

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8. Congress also made another change to section 1391 that is raised by Defendants. It added the words "with respect to the civil action in question" to Section 1391(c), such that this part of the statute now reads that a defendant "shall be deemed to reside . . . in any judicial district in which such defendant is subject to the court's personal jurisdiction *with respect to the civil action in question*[.]" *Id.* (emphasis added). Defendants assert that this new language would exclude much of this case, because the Court lacks personal jurisdiction over infringement claims relating to the 98% of accused products that are not used or sold in Delaware (i.e., the "civil action"

Defendants assert that the effect of these changes is that Section 1391(c) no longer provides for the definition of the term "resides" in Section 1400(b). (D.I. 26 at 3-5) The Court will address Defendants' three most prominent arguments in support of this claim, and why they are not persuasive.

First, Defendants claim that because Congress removed "[f]or purposes of venue under this chapter" from Section 1391(c), and because the *VE Holding* Court had relied heavily on this now-removed language as the basis for its decision, *VE Holding*'s decision is now a nullity. (D.I. 26 at 3-4)

The Court disagrees. *VE Holding* held that Congress intended the prior wording used in Section 1391(c) to give meaning to the residency requirements in Section 1400(b). *VE Holding*, 917 F.2d at 1579-84. If anything, the 2011 amendments to this portion of Section 1391(c) served to further broaden the applicability of the statute. That is, wherein Section 1391(c) had previously helped to define, *inter alia*, the place of a corporate defendant's residence "[f]or purposes of venue under this chapter[,]" it now provides such a definition "[f]or all venue purposes[.]" If Congress' intent in enacting the 2011 amendments to Section 1391(c) was to alter the status quo as described in *VE Holding*—and to now indicate that Section 1391(c)'s terms have no impact on the meaning of "resides" in

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involving allegations relating to those products). (D.I. 8 at 11-12) The Court disagrees. As described above in Section II.A.3, the Court has jurisdiction to hear this patent infringement action with regard to all of the accused products (that is, over the entire "civil action" here).

Section 1400(b)—then adding language that appears to *expand* the reach of Section 1391(c)'s definition of residency seems a strange way of accomplishing that.

This analysis is also supported by the Act's legislative history. The House of Representatives Report on the Act states that it intended to expand Section 1391(c) to "apply to all venue[ ]statutes, including venue provisions that appear elsewhere in the United States Code." H.R. Rep. No. 112-10, at 20 (2011). This "replace[d] [then-]current subsection 1391(c), which applie[d] . . . only for purposes of venue under Chapter 87." *Id.*[9]

Second, Defendants focus on the fact that as amended in 2011, Section 1391's "[a]pplicability" section (Section 1391(a)) now states that Section 1391's terms apply "[e]xcept as otherwise provided by law[.]" (D.I. 26 at 2, 4); 28 U.S.C. § 1391(a) (2011). Yet this new addition also does not alter the Court's conclusion. After all, in light of the prior 1988 amendments to Section 1391(c), the Federal Circuit held that Section 1400(b) does not "conflict" with Section 1391(c), and that Congress' "'clear intention'" was that "§ 1391(c) is to supplement § 1400(b)." *VE Holding*, 917 F.2d at 1579-84. That was the legal status quo as of the time of the enactment of the 2011 amendments. And so, at the time of the 2011 amendments (and indeed, as of the present date), Section 1400(b) could not be said to

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9. It is also worth noting that there is nothing in the legislative history submitted by the parties regarding the 2011 amendments suggesting that, in amending this subsection of 1391, Congress intended to take a step that would radically alter the landscape as to venue for patent litigation in the United States. *See, e.g.*, H.R. Rep. No. 112-10 (2011).

"otherwise provide[]" for an outcome different than what is called for by the portion of Section 1391(c) at issue here. Therefore, Section 1391(a)'s "applicability" section does not affect the outcome here—Section 1391 and Section 1400(b) can be read to be in harmony.[10]

Third, Defendants point to *Atlantic Marine Const. Co. v. U.S. Dist. Court for W. Dist. of Texas*, 134 S. Ct. 568, 577 n.2, 187 L. Ed. 2d 487 (2013), which issued after the 2011 amendments, and which stated in dicta that "[s]ection 1391 governs 'venue generally,' that is, in cases where a more specific venue provision does not apply. *Cf., e.g.*, § 1400 (identifying proper venue for copyright and patent suits)." (D.I. 26 at 4) But that statement is consistent

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10. Indeed, our Court has continued to read Section 1391(c) and Section 1400(b) in this way since the Act's passage in 2011. *See Andrulis Pharm. Corp. v. Celgene Corp.*, C.A. No. 13-1644-RGA, 2015 U.S. Dist. LEXIS 92455, 2015 WL 4366118, at *1 & n.5 (D. Del. July 16, 2015) (reading Section 1400(b) in light of Section 1391(c)); *Beacon Nav. GmbH v. Chrysler Grp. L.L.C.*, C.A. No. 11-cv-921 (GMS), 2013 U.S. Dist. LEXIS 38437, 2013 WL 1163943, at *5 (D. Del. Mar. 20, 2013) (same); *Denicor Med. Products, Inc. v. Biopsy Sciences, LLC*, Civil Action No. 10-1060-GMS, 2013 U.S. Dist. LEXIS 16537, 2013 WL 486638, at *3 (D. Del. Feb. 7, 2013) ("A business entity defendant, for the purposes of both § 1391(b) and § 1400(b), 'resides' in 'any judicial district in which such defendant is subject to the court's personal jurisdiction with respect to the civil action in question.'") (citation omitted). And so have other courts. *See, e.g., Global Touch Solutions, LLC v. Toshiba Corp.*, F. Supp. 3d , 2015 U.S. Dist. LEXIS 77227, Civil No. 2:14CV346, 2015 WL 3798085, at *10 (E.D. Va. June 15, 2015); *Celgard, LLC v. LG Chem, Ltd.*, No. 3:14-CV-00043-MOC-DCK, 2015 U.S. Dist. LEXIS 66600, 2015 WL 2412467, at *9 (W.D.N.C. May 21, 2015); *Digcom, Inc. v. Pantech Wireless, Inc.*, No. 3:13-cv-00177- RCJ-WGC, 2014 U.S. Dist. LEXIS 118959, 2014 WL 4232573, at *2 (D. Nev. Aug. 26, 2014).

with *VE Holding*'s determination that "§ 1391(c) only operates to define a term in § 1400(b)—it neither alone governs patent venue nor establishes a patent venue rule separate and apart from that provided under § 1400(b)." *VE Holding*, 917 F.2d at 1580. *Atlantic Marine* is therefore unhelpful for Defendants.

Ultimately, it is clear that Section 1391(c) continues to operate to define "resides" in Section 1400(b), as was set out in *VE Holding*. *See TNR Indus. Doors, Inc. v. Perfor Max Grp., LLC*, No. 13-13815, 2014 U.S. Dist. LEXIS 82132, 2014 WL 2800750, at *3 n.3 (E.D. Mich. June 17, 2014) ("[T]he scope of § 1391(c) as amended is even broader than the previous version interpreted in *VE Holding* Corp., and this Court's conclusion that § 1391(c) supplements § 1400(b) is consistent with the holding in *VE Holding* . . . as well as the plain language of § 1391(c)."); *Devicor Med. Prods., Inc. v. Biopsy Set, LLC*, Civil Action No. 10-1060-GMS, 2013 U.S. Dist. LEXIS 16537, 2013 WL 486638, at *3 n.7 (D. Del. Feb. 7, 2013) (concluding that the 2011 amendments to Section 1391 did not undermine the Federal Circuit's conclusion in *VE Holding*). The Court therefore recommends that the District Court deny Defendants' Motion as it relates to transfer of venue requested pursuant to Section 1406(a).

Appendix B

C. Transfer Under 28 U.S.C. § 1404

Finally, Defendants set forth, in a cursory fashion,[11] arguments seeking transfer of venue to the Southern District of Indiana pursuant to 28 U.S.C. § 1404(a). (D.I. 8 at 12-14)

1. Legal Standard

Section 1404(a) of Title 28 provides the statutory basis for a transfer inquiry.[12] It provides that "[f]or the

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11. Defendants did not address most of the Section 1404(a) transfer factors in their opening brief. Instead, they provided only a short paragraph stating that the Southern District of Indiana is the more convenient venue because: (1) that is TC Heartland's principal place of business and is where the claims arose, (2) that location is closer than is Delaware to Kraft's principal place of business, and (3) there are potential third party witnesses in that district who may be called as trial witnesses regarding the state of the relevant art. (D.I. 8 at 12-13) In their reply brief, Defendants did not address transfer under Section 1404(a) at all. (D.I. 26) At oral argument, Defendants did not raise the issue until prompted by the Court at the end of the hearing. (Tr. at 69-71) Once prompted, Defendants stated that their Section 1404(a) argument, though not "conceded[,]" was clearly "subsidiary" to their other arguments regarding personal jurisdiction and venue. (*Id.*) All of this comes very close to an acknowledgment that the Motion should not be properly viewed as a Section 1404(a) motion at all. Cf *Hardwire, LLC v. Zero Int'l, Inc.*, Civil Action No. 14-54-LPS-CJB, 2014 U.S. Dist. LEXIS 146364, 2014 WL 5144610, at *15 (D. Del. Oct. 14, 2014). But for the sake of completeness, the Court will address Section 1404(a) below.

12. In analyzing a motion to transfer venue in a patent case, the law of the regional circuit applies. *Intellectual Ventures I LLC v. Checkpoint Software Techs. Ltd.*, 797 F. Supp. 2d 472, 487 n.7 (D. Del. 2011) (citing *Micron Tech., Inc. v. Rambus Inc.*, 645 F.3d 1311, 1331 (Fed. Cir. 2011)).

convenience of parties and witnesses, in the interest of justice, a district court may transfer any civil action to any other district or division where it might have been brought or to any district or division to which all parties have consented." 28 U.S.C. § 1404(a). The party seeking a transfer has the burden "to establish that a balancing of proper interests weigh[s] in favor of the transfer[.]" *Shutte v. Armco Steel Corp.*, 431 F.2d 22, 25 (3d Cir. 1970) (citation omitted); *see also Jumara v. State Farm Ins. Co.*, 55 F.3d 873, 879 (3d Cir. 1995). That burden is a heavy one: "unless the balance of convenience of the parties is *strongly in favor of defendant*, the plaintiff's choice of forum should prevail." *Shutte*, 431 F.2d at 25 (internal quotation marks and citation omitted) (emphasis added); *see also CNH Am. LLC v. Kinzenbaw*, C.A. No. 08-945(GMS), 2009 U.S. Dist. LEXIS 105312, 2009 WL 3737653, at *2 (D. Del. Nov. 9, 2009).

The Third Circuit has observed that courts must analyze "all relevant factors" to determine whether "the litigation would more conveniently proceed and the interests of justice be better served by transfer to a different forum." *Jumara*, 55 F.3d at 879 (internal quotation marks and citation omitted). Nevertheless, it has identified a set of private interest and public interest factors that should be taken into account in this analysis (the "*Jumara* factors"). The private interest factors to consider include:

> [1] [The] plaintiff's forum preference as manifested in the original choice, [2] the defendant's preference, [3] whether the claim arose elsewhere, [4] the convenience of the

> parties as indicated by their relative physical and financial condition, [5] the convenience of the witnesses—but only to the extent that the witnesses may actually be unavailable for trial in one of the fora . . . and [6] the location of books and records (similarly limited to the extent that the files could not be produced in the alternative forum)[.]

Id. (citations omitted). The public interest factors to consider include:

> [1] [T]he enforceability of the judgment, [2] practical considerations that could make the trial easy, expeditious, or inexpensive, [3] the relative administrative difficulty in the two fora resulting from court congestion, [4] the local interest in deciding local controversies at home, [5] the public policies of the fora, . . . and [6] the familiarity of the trial judge with the applicable state law in diversity cases[.]

Id. at 879-80 (citations omitted).

2. Appropriateness of Transferee Venue

The first step in the transfer analysis is to determine whether this action could have been brought in the proposed transferee venue. *Mallinckrodt Inc. v. E—Z—Em Inc.*, 670 F. Supp. 2d 349, 356 (D. Del. 2009). Here, there is no dispute, (D.I. 20 at 14), that this infringement action could have been properly brought in the Southern

District of Indiana, where Defendants are incorporated and have their headquarters. *See* 28 U.S.C. § 1400(b).

3. Application of the *Jumara* Factors

The Court will proceed to analyze the *Jumara* factors and their impact on whether transfer should be granted.

a. Private Interest Factors

i. Plaintiff's choice of forum

When analyzing the first *Jumara* private interest factor—the "plaintiff's forum preference as manifested in the original choice"—the court should not consider simply the fact of that choice, but the reasons behind the choice. *Pragmatus A V, LLC v. Yahoo! Inc.*, Civil Action No. 11-902-LPS-CJB, 2012 U.S. Dist. LEXIS 147834, 2012 WL 4889438, at *4 & n.5 (D. Del. Oct. 15, 2012) ("*Pragmatus I*") (internal quotation marks and citation omitted) (citing cases), *adopted by* 2013 U.S. Dist. LEXIS 6424 , 2013 WL 174499 (D. Del. Jan. 16, 2013) ("*Pragmatus II*"); *see also Affymetrix, Inc. v. Synteni, Inc.*, 28 F. Supp. 2d 192, 200 (D. Del. 1998). "If those reasons are rational and legitimate then they will weigh against transfer, as they are likely to support a determination that the instant case is properly venued in this jurisdiction." *Pragmatus I*, 2012 U.S. Dist. LEXIS 147834, 2012 WL 4889438, at *4 (internal quotation marks and citations omitted) (citing cases); *see also Intellectual Ventures I LLC v. Altera Corp.*, 842 F. Supp. 2d 744, 753-54 (D. Del. 2012) ("Altera").

Appendix B

As noted above, Plaintiff chose to bring suit in Delaware, its state of incorporation. (D.I. 1 at ¶ 1) The fact that Delaware is the plaintiff's state of incorporation has often been found to be a rational and legitimate reason to bring suit here. *See, e.g., Good Tech. Corp. v. MobileIron, Inc.*, Civil Action No. 14-1308-LPS-CJB, 2015 U.S. Dist. LEXIS 38919, 2015 WL 1458091, at *3 (D. Del. Mar. 27, 2015); *Altera*, 842 F. Supp. 2d at 754; *Intellectual Ventures I LLC v. Checkpoint Software Techs. Ltd.*, 797 F. Supp. 2d 472, 479 (D. Del. 2011) ("*Checkpoint Software*"). Defendants do not offer any contrary analysis with regard to this factor.

The Court therefore holds that the first private interest *Jumara* factor weighs against transfer.

ii. Defendant's forum preference

As for the second private interest factor—the defendant's forum preference—Defendant prefers to litigate in the Southern District of Indiana. In analyzing this factor, our Court has similarly "tended to examine whether the defendant can articulate rational, legitimate reasons to support that preference." *Pragmatus I*, 2012 U.S. Dist. LEXIS 147834, 2012 WL 4889438, at *6 (citation omitted).

Defendants argue that this action should be transferred to the Southern District of Indiana because its principal place of business is there. (D.I. 8 at 13) This Court has often held that the physical proximity of a defendant's place of business (and relatedly, of witnesses and evidence

potentially at issue in the case) to the proposed transferee district is a clear, legitimate basis for seeking transfer to that district. *See, e.g., Nalco Co. v. AP Tech Grp. Inc.*, C.A. No. 13-1063-LPS, 2014 U.S. Dist. LEXIS 109592, 2014 WL 3909114, at *1 (D. Del. Aug. 8, 2014); *Genetic Techs. Ltd. v. Natera, Inc.*, C.A. No. 12-1737-LPS, 2014 U.S. Dist. LEXIS 51772, 2014 WL 1466471, at *1 (D. Del. Apr. 15, 2014).

This second private interest *Jumara* factor weighs in favor of transfer.

iii. Whether the claim arose elsewhere

The third private interest *Jumara* factor asks "whether the claim arose elsewhere." *Jumara*, 55 F.3d at 879. As a matter of law, a claim regarding patent infringement arises "wherever someone has committed acts of infringement, to wit, 'makes, uses, offers to sell, or sells any patented invention' without authority." *McRo, Inc. v. Activision Blizzard, Inc.*, Civil Action No. 12-1508-LPS-CJB, 2013 U.S. Dist. LEXIS 178823, 2013 WL 6571618, at *5 (D. Del. Dec. 13, 2013) (internal quotation marks and citations omitted), *adopted by* 2013 U.S. Dist. LEXIS 181269, 2013 WL 6869866 (D. Del. Dec. 30, 2013). Nevertheless, as to this factor, this Court typically focuses on the location of the production, design and manufacture of the accused instrumentalities. *Id.* (citing cases); *Altera*, 842 F. Supp. 2d at 755 ("'[I]f there are significant connections between a particular venue and the events that gave rise to a suit, this factor should

be weighed in that venue's favor.'") (alterations in original) (quoting *In re Hoffmann-La Roche, Inc.*, 587 F.3d 1333, 1338 (Fed. Cir. 2009)).

In this case, it is undisputed that, while the accused products are sold nationwide (including in Delaware), they are developed, tested, and manufactured in the transferee district. (D.I. 9 at ¶ 3) Because it appears that the operative events giving rise to the Plaintiff's claims of infringement have a far stronger connection to the Southern District of Indiana than to any other district, this factor weighs in favor of transfer. *See Fuisz Pharma LLC v. Theranos, Inc.*, Civil Action No. 11-1061-SLR, 2012 U.S. Dist. LEXIS 69835, 2012 WL 1820642, at *12 (D. Del. May 18, 2012), *adopted by* 2012 U.S. Dist. LEXIS 79156, 2012 WL 2090622 (D. Del. June 7, 2012).

iv. Convenience of the parties as indicated by their relative physical and financial condition

In assessing the next private interest factor—"the convenience of the parties as indicated by their relative physical and financial condition"—this Court has traditionally examined issues including: "(1) the parties' physical location; (2) the associated logistical and operational costs to the parties' employees in traveling to Delaware (as opposed to the proposed transferee district) for litigation purposes; and (3) the relative ability of each party to bear these costs in light of its size and financial wherewithal." *Audatex N. Am., Inc. v. Mitchell Int'l, Inc.*, C.A. No. 12-cv-139 (GMS), 2013 U.S. Dist. LEXIS 90847,

2013 WL 3293611, at *4 (D. Del. June 28, 2013) (internal quotation marks and citations omitted).

Both parties are located either in the transferee forum, or far closer to that forum than to Delaware. (D.I. 8 at 13) But in most actions, few case events involve travel to Delaware, particularly if the case does not result in a trial. *McRo, Inc.*, 2013 U.S. Dist. LEXIS 178823, 2013 WL 6571618 at *7. Here, the parties have national and international operations. (D.I. 9; D.I. 20 at 17) Moreover, no record has been made by Defendants to suggest that the limited amount of travel required to Delaware would impose any meaningful physical or financial burden on them. *See McRo, Inc.*, 2013 U.S. Dist. LEXIS 178823, 2013 WL 6571618 at *7. In the absence of any attempt to put forward such evidence, this factor weighs in favor of transfer, but only slightly. *See id.*

v. Convenience of the witnesses to the extent that they may actually be unavailable for trial in one of the fora

The "convenience of the witnesses" is the next factor, "but only to the extent that the witnesses may actually be unavailable for trial in one of the fora[.]" *Jumara*, 55 F.3d at 879. Of particular concern here are fact witnesses who may not appear of their own volition in the venue-at-issue and who could not be compelled to appear by subpoena pursuant to Federal Rule of Civil Procedure 45. *ADE Corp. v. KLA-Tencor Corp.*, 138 F. Supp. 2d 565, 569 (D. Del. 2001); *Affymetrix*, 28 F. Supp. 2d at 203-05.

The practical impact of this factor has often been said to be limited, in light of the fact that so few civil cases today proceed to trial (and at trial, so few fact witnesses testify live). *See Cellectis S.A. v. Precision Biosciences, Inc.*, 858 F. Supp. 2d 376, 382 n.6 (D. Del. 2012); *Altera*, 842 F. Supp. 2d at 757-58. And here, Defendants argue only that a third party, the Coca Cola Company, "makes liquid water enhancers in Indiana, . . . and is likely to employ individuals who may be called as third-party witnesses knowledgeable as to the state of the . . . art at relevant times." (D.I. 8 at 13) But Defendants have not: (1) identified any particular witnesses from the Coca Cola Company whom Defendants intend to call at trial; (2) provided any further articulation as to how such testimony will actually be relevant at trial; or (3) provided any evidence that these unnamed witnesses would "actually be unavailable" for trial in Delaware. *See McRo, Inc.*, 2013 U.S. Dist. LEXIS 178823, 2013 WL 6571618, at *9 ("Absent some concrete evidentiary showing that [potential third party witnesses] would be unlikely to testify, it is difficult to give Defendants' argument as to their potential unavailability significant weight.") (citing cases).

Under these circumstances, the Court finds this factor to be neutral. *See Ross v. Institutional Longevity Assets LLC*, Civil Action No. 12-102-LPS-CJB, 2013 U.S. Dist. LEXIS 134730, 2013 WL 5299171, at *12 (D. Del. Sept. 20, 2013) ("With little in the record as to witnesses who would be unavailable in the fora at issue, and less still that is persuasive, the Court finds this factor to be neutral."), *adopted* by 2013 U.S. Dist. LEXIS 147103, 2013 WL 5613998 (D. Del. Oct. 11, 2013); *see also Smart*

Audio Techs., LLC v. Apple, Inc., 910 F. Supp. 2d 718, 732 (D. Del. 2012).

vi. Location of books and records

Because neither party raises any concern regarding the location of books and records, this factor is neutral.

b. Public Interest Factors

The parties either agree that four of the six public interest factors are neutral here, or do not address those factors at all. (D.I. 8 at 12-14; D.I. 20 at 18-20) The Court thus addresses the two public interest factors that were asserted by any party to be other than neutral.

i. Administrative difficulties in getting the case to trial

The first relevant public interest factor is the "relative administrative difficulty in the two fora resulting from court congestion[.]" *Jumara*, 55 F.3d at 879.

Plaintiff asserts that this factor "weighs heavily against transfer and in favor of venue in Delaware." (D.I. 20 at 19) According to Plaintiff, the "median time between the filing of a case and trial" in the year 2013 was 27.6 months in Delaware, as compared to 35.8 months in the Southern District of Indiana. (*Id.* (citation omitted)) Defendants do not oppose this conclusion, or point to any contrary evidence regarding court congestion. (*See* D.I. 8, 26) The Court therefore finds that this factor weighs

against transfer. *Cf. Cruise Control Techs. LLC v. Chrysler Grp. LLC*, Civil Action No. 12-1755-GMS, 2014 U.S. Dist. LEXIS 43111, 2014 WL 1304820, at *5 (D. Del. Mar. 31, 2014) (finding that this factor favored transfer where the proposed transferee district's median time to trial in a civil case was 6.5 months less than in this District).

ii. Public policy of the fora

The next factor relates to the public policy of the respective fora. This Court has previously held in the transfer context that the "public policy of Delaware encourages the use by Delaware corporations of Delaware as a forum for resolution of business disputes." *Graphics Props.*, 964 F. Supp. 2d at 331 (internal quotation marks and citation omitted). Delaware promotes itself as a place that entities should choose as their corporate home, and in doing so, touts itself as a forum well-positioned to help resolve business disputes. *See, e.g., Wacoh Co. v. Kionix Inc.*, 845 F. Supp. 2d 597, 604 & n.9 (D. Del. 2012).

Plaintiff asserts that because it is a Delaware corporation, this factor weighs against transfer. (D.I. 20 at 19-20) Defendants do not respond to this assertion in any way, and thus do not appear to contest this conclusion on the facts here. (*See* D.I. 8, 26) Under those circumstances, the Court finds this factor to weigh against transfer. *See Graphics Props.*, 964 F. Supp. 2d at 331.

c. Conclusion Regarding Impact of *Jumara* Factors

In sum, Plaintiff's choice of forum, the "administrative difficulties" factor, and the "public policy" factor weigh against transfer. Defendant's forum preference and where the claim arose weigh in favor of transfer, and the convenience of the parties weighs slightly in favor of transfer. The remainder of the *Jumara* factors are neutral.

The Court therefore concludes that a balancing of the *Jumara* factors produces a result that is not "strongly in favor of" transfer. *Shutte*, 431 F.2d at 25 (internal quotation marks and citation omitted).

III. CONCLUSION

For the reasons set forth above, the Court recommends that Defendants' Motion be DENIED.

This Report and Recommendation is filed pursuant to 28 U.S.C. § 636(b)(1)(B), Fed. R. Civ. P. 72(b)(1) and D. Del. LR 72.1. The parties may serve and file specific written objections within fourteen (14) days after being served with a copy of this Report and Recommendation. Fed. R. Civ. P. 72(b). The failure of a party to object to legal conclusions may result in the loss of the right to de novo review in the district court. *See Sincavage v. Barnhart*, 171 F. App'x 924, 925 n.1 (3d Cir. 2006); *Henderson v. Carlson*, 812 F.2d 874, 878-79 (3d Cir. 1987).

Appendix B

The parties are directed to the Court's Standing Order for Objections Filed Under Fed. R. Civ. P. 72, dated October 9, 2013, a copy of which is available on the District Court's website, located at http://www.ded.uscourts.gov.

Dated: August 13, 2015

/s/ Christopher J. Burke
Christopher J. Burke
UNITED STATES
MAGISTRATE JUDGE

APPENDIX C — RELEVANT STATUTORY PROVISIONS

28 U.S.C. § 1400(b) (1952)

§ 1400. Patents and copyrights.

* * *

(b) Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.

28 U.S.C. § 1400(b) (1988)

§ 1400. Patents and copyrights.

* * *

(b) Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.

Appendix C

28 U.S.C. § 1400(b) (2012)

§ 1400. Patents and copyrights, mask works, and designs.

* * *

(b) Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.

Appendix C

28 U.S.C. § 1694 (1952)

§ 1694. Patent infringement action.

In a patent infringement action commenced in a district where the defendant is not a resident but has a regular and established place of business, service of process, summons or subpoena upon such defendant may be made upon his agent or agents conducting such business.

28 U.S.C. § 1694 (1988)

§ 1694. Patent infringement action.

In a patent infringement action commenced in a district where the defendant is not a resident but has a regular and established place of business, service of process, summons or subpoena upon such defendant may be made upon his agent or agents conducting such business.

28 U.S.C. § 1694 (2012)

§ 1694. Patent infringement action.

In a patent infringement action commenced in a district where the defendant is not a resident but has a regular and established place of business, service of process, summons or subpoena upon such defendant may be made upon his agent or agents conducting such business.

Appendix C

28 U.S.C. § 1391 (1952)

§ 1391. Venue generally.

* * *

(c) A corporation may be sued in any judicial district in which it is incorporated or licensed to do business or is doing business, and such judicial district shall be regarded as the residence of such corporation for venue purposes.

* * * *

28 U.S.C. § 1391 (1988)

§ 1391. Venue generally.

* * *

(c) For purposes of venue under this chapter, a defendant that is a corporation shall be deemed to reside in any judicial district in which it is subject to personal jurisdiction at the time the action is commenced. In a State which has more than one judicial district and in which a defendant that is a corporation is subject to personal jurisdiction at the time an action is commenced, such corporation shall be deemed to reside in any district in that State within which its contacts would be sufficient to subject it to personal jurisdiction if that district were a separate State, and, if there is no such district, the corporation shall be deemed to reside in the district within which it has the most significant contacts.

* * * *

Appendix C

28 U.S.C. § 1391 (2012)

§ 1391. Venue generally.

(a) APPLICABILITY OF SECTION.—Except as otherwise provided by law—

(1) this section shall govern the venue of all civil actions brought in district courts of the United States; and

* * *

(c) RESIDENCY.—For all venue purposes—

* * *

(2) an entity with the capacity to sue and be sued in its common name under applicable law, whether or not incorporated, shall be deemed to reside, if a defendant, in any judicial district in which such defendant is subject to the court's personal jurisdiction with respect to the civil action in question and, if a plaintiff, only in the judicial district in which it maintains its principal place of business; and

* * * *

RECORD AND BRIEFS

Supreme Court, U.S.
FILED
NOV 16 2016
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No. 16-341

In the Supreme Court of the United States

TC HEARTLAND LLC, D/B/A HEARTLAND FOOD PRODUCTS GROUP,

Petitioner,

v.

KRAFT FOODS GROUP BRANDS LLC,

Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF IN OPPOSITION

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QUESTION PRESENTED

28 U.S.C. § 1400(b), the patent venue statute, provides that a defendant can be sued for patent infringement in any district in which it "resides" without defining that term. 28 U.S.C. § 1391(c) was revised by Congress in 1988 to define the residence of a corporate defendant "[f]or purposes of venue under this chapter"; "this chapter" to which § 1391(c) so referred was Chapter 87 of Title 28, which included (and still includes) § 1400(b). In 2011, Congress again amended § 1391(c) to extend the reach of its definition of corporate residence even further, such that the definition now applies "[f]or all venue purposes." Has the Federal Circuit nevertheless erred by holding that the definition of corporate residence in § 1391(c) applies to the term "resides" in § 1400(b)?

CORPORATE DISCLOSURE STATEMENT

Kraft Heinz Foods Co. is the parent company of Kraft Foods Group Brands LLC. No publicly traded company owns 10 percent or more of Kraft Foods Group Brands LLC's stock. Kraft Heinz Foods Co. is indirectly wholly owned by The Kraft Heinz Company, a publicly traded company.

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STATEMENT

Petitioner and the amici describe at length concerns with forum shopping in patent cases, primarily the disproportionate number of cases brought in the Eastern District of Texas, often by patent-assertion entities. Respondent does not dispute the existence of patent venue shopping. However, the task of patent venue reform lies squarely with Congress. The judiciary's role is to enforce the straightforward statutory framework currently in place, and the Federal Circuit decisions challenged here are scrupulously faithful to that framework. 28 U.S.C. § 1400(b), the patent venue statute, permits a defendant to be sued in any district where it "resides," without defining that term. Since 1988, 28 U.S.C. § 1391(c) has defined a corporation's residence as any district where it is subject to personal jurisdiction. There is no question that the § 1391(c) definition embraces § 1400(b). Congress's 1988 amendments to § 1391(c) made that provision apply "[f]or purposes of venue under this chapter" (*i.e.*, Chapter 87 of Title 28, which includes § 1400(b)). In 2011, Congress broadened the reach of § 1391(c) by making it apply "[f]or all venue purposes." In holding that § 1391(c) informs the meaning of "resides" in § 1400(b), the Federal Circuit has simply enforced the plain and unambiguous statutory text.

Petitioner incorrectly suggests that the Federal Circuit's decisions in this case and in *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990), *cert. denied*, 499 U.S. 922 (1991), conflict with *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222 (1957). *Fourco* addressed the relationship

between § 1400(b) and the *then-current* version of § 1391(c). Section 1400(b) provided then (as it still does today) only two choices for where a patent infringement suit "may be brought," one of them being the district in which the defendant "resides." In contrast to the post-1988 versions of § 1391(c), the earlier version of that provision did not simply define corporate residence but actually designated the districts where a corporation generally "may be sued." *Fourco* addressed whether the additional venue options in § 1391(c) "supplemented" the two venue options in § 1400(b) and held that they did not.

However, *Fourco* did not address, much less somehow restrict, Congress's ability to change the *meaning* of "resides" in § 1400(b) by defining corporate residence in § 1391(c) and expressly extending that definition to a group of statutes that included § 1400(b). That is precisely what Congress did in 1988. Congress revised § 1391(c) and made it purely definitional—it now defined the residence of a corporation as any district in which it was amenable to personal jurisdiction. The provision no longer contained any substantive rules authorizing suit against corporations in certain venues. Crucially, Congress also added the phrase "[f]or purposes of venue under this chapter" immediately before the new definition of corporate residence, "this chapter" referring to Chapter 87 of Title 28, encompassing §§ 1391-1412, including § 1400.

In *VE Holding*, the Federal Circuit held that this language "clear[ly]" and "unambiguous[ly]" made the new § 1391(c) definition apply to § 1400(b). 917 F.2d at 1581. *Fourco*'s description of § 1400(b) as the "sole and exclusive provision controlling [patent] venue," 353

U.S. at 229, did not require the court to reach a contrary result. The 1988 amendments did not purport to divest § 1400(b) of that status, as it continued to "control[]" venue in patent infringement cases by providing the only two venue choices for such cases, the district where the defendant "reside[d]" being one of them. The new § 1391(c) operated only to *define* that term, which was not defined in § 1400(b) itself, and it did so by employing "classic and exact language of incorporation." *VE Holding*, 917 F.2d at 1579. Thus, for purposes of § 1400(b), a corporation now "reside[d]" not only in the state of its incorporation (the meaning attributed to "resides" by *Fourco*) but in any district where it was amenable to jurisdiction. Nothing in *Fourco* precluded Congress from changing the meaning of "resides" in this manner.

Petitioner's assertion that the Federal Circuit erred by construing "[f]or purposes of venue under this chapter" as embracing § 1400(b), Pet. 23-26, is meritless. Section 1400(b) plainly was, and still is, located in "this chapter." Indeed, the drafters of the 1988 amendments in the Judicial Conference, where the amendments originated, indisputably intended the amended § 1391(c) to apply to 1400(b). Petitioner does not identify any ambiguity in the statutory text or dispute that "[t]he legislative history of the 1988 amendment reveals *no* legislative intent . . . contrary to the [text's] plain meaning." *VE Holding*, 917 F.2d at 1580 (emphasis in original). It points out only that the legislative history did not expressly confirm what was already made unmistakably clear in § 1391(c)'s text. Pet. 24. Yet "legislative history need not confirm the details of changes in the law effected by statutory language before [this Court] will interpret that

language according to its natural meaning." *Morales v. TWA*, 504 U.S. 374, 385 n.2 (1992) (internal citations omitted).

The 2011 amendments to § 1391(c)—the subject of the decision below—reaffirm that § 1391(c) defines "resides" in § 1400(b). Contrary to Petitioner's assertion, Pet. 26, the 2011 amendments did not "repeal" the phrase "[f]or purposes of venue under this chapter." Though the Petition fails to mention this, Congress replaced that phrase with even broader language, "[f]or all venue purposes," and the accompanying House Report left no doubt that the amended § 1391(c) "would apply to all venue[]statutes," not just those in Chapter 87 of Title 28.

Petitioner's assertion that the phrase "[e]xcept as otherwise provided by law" in new subsection (a) of § 1391 was meant to restore *Fourco*'s construction of "resides" to § 1400(b) is, as the decision below found, "utterly without logic or merit." App. 6a. That construction became obsolete in 1988 when Congress redefined "resides" in § 1400(b) by amending § 1391(c). It was *not* the "law" at the time of the 2011 amendments, and Petitioner has presented no evidence that Congress understood it to be the "law" or intended to restore it to that status.

Thus, Petitioner has presented no question of statutory construction that merits review. The policy concerns raised by Petitioner and the amici are properly addressed to Congress, which is acutely aware of such concerns. Congress has recently considered several legislative solutions, and proposed legislation is now pending in both the House and the Senate. Notably, the proposals offered in Congress and the

academic literature would not return patent venue to its pre-1988 state, though that is precisely what Petitioner urges this Court to do. Indeed, before the 1988 amendments, the patent venue regime was subject to widespread criticism (including from the American Bar Association) for leaving patent cases far behind the curve of evolving venue standards.

Finally, this case is a particularly poor vehicle for addressing these issues. Respondent developed and practices the patented technology. It filed suit not in the Eastern District of Texas but in Delaware, where it is incorporated and where Petitioner, a nationwide infringer, has directed infringing products. Moreover, a ruling on the merits by this Court is unlikely to affect the dispute between the parties. As a result of *Petitioner's* vigorous and successful opposition to *Respondent's* motion to stay the case pending the resolution of the parallel *inter partes* review of the patents-in-suit, the parties have now completed extensive discovery, and the trial is set for January 2017. Thus, largely due to Petitioner's own advocacy, the district is very likely to issue a final judgment long before this Court could consider the venue question on the merits.

REASONS FOR DENYING THE WRIT

I. The Federal Circuit Precedent Does Not Conflict With *Fourco* and Correctly Interprets the Post-1988 Statutory Framework.

A. *Fourco* Did Not Embed a Permanent Definition of Corporate Residence Into § 1400(b).

Petitioner suggests that *Fourco* essentially froze a particular restrictive meaning of corporate residence into § 1400(b). *See* Pet. 13-14. Taken to a logical extreme, Petitioner's argument would suggest that Congress could displace *Fourco*'s construction of "resides" only by making the definitional change explicit in § 1400(b) itself—that is, it could not accomplish the same result by defining corporate residence in § 1391(c) and incorporating that definition into § 1400(b). Petitioner misreads *Fourco*. That case did not purport to permanently insulate § 1400(b) from the reach of general venue definitions. Indeed, Petitioner has cited *no* case restricting Congress's ability to amend legislation in this manner. *Fourco* held only that the special patent venue rules in § 1400(b) designating where patent infringement cases "may be brought" were not "supplemented" by a venue rule in the then-current § 1391(c) that designated where a corporation generally "may be sued." *Fourco* did not speak to, much less restrict, Congress's ability to change the meaning of "resides" in § 1400(b), with respect to corporate defendants, by revising § 1391(c) to include a definition of corporate residence that expressly embraced § 1400(b).

At the time of *Fourco*, § 1391 (enacted as part of the 1948 revision and recodification of the Judicial Code) authorized venue in diversity cases in "any judicial district in which all of the plaintiffs or all of the defendants reside[d]" and, in federal-question cases, in "only the judicial district where all defendants reside[d]." These general venue rules for diversity and federal-question cases were set forth in subsections (a) and (b), respectively. 28 U.S.C. §§ 1391(a)-(b) (1958). Section 1391(c) made additional venue choices available in cases against corporations. It provided that "[a] corporation may be sued in any judicial district in which it is incorporated or licensed to do business or is doing business, and such judicial district shall be regarded as the residence of such corporation for venue purposes." Thus, under § 1391(c), a corporate defendant could be sued not only where it "resided" (*i.e.*, where it was incorporated)[1] but also where it was "licensed to do business" or was "doing business."

28 U.S.C. § 1400(b), the special patent venue statute, was also enacted as part of the 1948 Judicial Code. At the time of *Fourco*, it provided (as it does today) only two choices for where patent infringement cases "may be brought": "the judicial district where the defendant resides" and the district "where the defendant has committed acts of infringement and has a regular and established place of business." Section 1400(b) did not distinguish between individual and corporate defendants; the same venue choices applied in cases against either.

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[1] A corporation traditionally "resided" in the state of its incorporation. *See Shaw v. Quincy Mining Co.*, 145 U.S. 444, 448 (1892).

Fourco addressed whether § 1400(b)'s two options for where patent infringement cases "may be brought" were "supplemented" by the additional options in § 1391(c) for where a corporation generally "may be sued." *See Fourco*, 353 U.S. at 228. The respondents argued that § 1391(c) "should be read with, and as supplementing, § 1400(b)," because "its terms include[d] all actions—including patent infringement actions—against corporations"; that is, because it addressed where "[a] corporation may be sued" regardless of the cause of action. *Id.* *Fourco* held that the additional venue choices in § 1391(c) did not "supplement" the choices in § 1400(b), citing the principle that "[h]owever inclusive may be the general language of a statute, it will not be held to apply to a matter specifically dealt with in another part of the same enactment." *Id.* at 228-29 (internal quotation marks and citations omitted).

The only matter "specifically dealt with" in § 1400(b) was the designation of districts where patent infringement cases "may be brought." Section 1400(b) did not "specifically deal[]" with the definition "resides" (and never has). *Fourco* thus held that the *substantive venue rule* in § 1400(b) providing two venues where patent cases "may be brought" were not "supplemented" by the substantive venue rule in the first clause of § 1391(c) providing where corporations generally "may be sued." *Fourco* did *not* directly address the import of § 1391(c)'s second, ostensibly definitional clause ("and such judicial district shall be regarded as the residence of such corporation for venue purposes"). Indeed, this second clause was essentially "surplusage since the term 'residence' was not used in the first clause as one of the bases for venue." *VE*

Holding, 917 F.2d at 1578. Thus, while the Second Circuit in *Fourco* had framed the question as whether "proper construction 'require[d] . . . the insertion in' § 1400(b) 'of the definition of corporate residence from' § 1391(c)," 353 U.S. at 223-22, this Court took a different approach, framing the issue as whether the substantive rule in the first clause of § 1391(c) addressing where "[a] corporation may be sued" supplemented the venue options available to a patent infringement plaintiff under § 1400(b).

This approach was consistent with *Stonite Products Co. v. Melvin Lloyd Co.*, 315 U.S. 561 (1942). *Stonite* addressed whether the venue choices in the special patent venue statute, then § 48 of the Judicial Code (the predecessor to § 1400(b)), were "supplemented" by additional venue choices then available under § 52 of the Judicial Code, a general venue provision. *Id.* at 561-62. Much like § 1400(b), § 48 authorized patent infringement suits "in the district of which the defendant is an inhabitant, or in any district in which the defendant . . . shall have committed acts of infringement and have a regular and established place of business." Meanwhile, § 52 permitted a defendant to be sued in a district where it did *not* reside provided a co-defendant resided in that district and both defendants resided in the same state. *Id.* at 562. *Stonite* held § 52 did not "supplement" § 48 by authorizing an additional venue alternative in patent cases involving multiple defendants. *Id.* at 566-67.

Fourco described the question presented as "not legally distinguishable" from the question in *Stonite*: it was once again whether the additional venue choices available under a general venue provision

"supplement[ed]" the choices available under the special patent venue statute. *Fourco*, 353 U.S. at 224. In particular, it was whether the rule in the then-current § 1391(c) that a corporation "may be sued" wherever it was "licensed to do business" or was "doing business" supplemented the venue choices provided in § 1400(b) in cases involving corporate defendants. *Fourco* held that the *substantive* venue rules in § 1400(b), the statute "specifically deal[ing] with" where a "civil action for patent infringement may be brought," were not "supplemented" by the additional venue alternatives in the first clause of § 1391(c).

In contrast, the issue here is not whether the substantive patent venue rules in § 1400(b) are "supplemented" by the substantive venue rules in § 1391. "[I]t is undisputed that § 1400[(b)] is a specific venue provision pertaining to patent infringement suits." App. 7a. This case instead addresses what the term "resides" in § 1400(b) means, *post-1988*, with respect to corporate defendants—a matter not "specifically dealt with" in § 1400(b). *See id.* *Fourco* provides no answer to that question. Contrary to Petitioner's assertion, it did not hold that the meaning of "resides" in § 1400(b) was fixed in stone. That *Fourco* attributed no significance to the superfluous language in the second clause of the then-current § 1391(c) does not suggest otherwise. At most, it reflects the fact that § 1391(c), as it then existed, was not sufficiently specific to displace the traditional definition of corporate residence that was historically applied in patent cases. *Fourco* cannot be read as embedding into § 1400(b) a permanent definition of corporate residence that would be impervious to future changes to § 1391(c).

B. *VE Holding* Correctly Held That Congress's 1988 Amendments to § 1391(c) Changed the Meaning of "Resides" in § 1400(b).

In 1988, Congress amended § 1391(c). *See* Judicial Improvements and Access to Justice Act of 1988, Pub. L. No. 100-702, § 1013, 102 Stat. 4642, 4669 (1988) (the "1988 Act"). Section 1391(c) now consisted of two sentences, the first of which read as follows:

> (c) *For purposes of venue under this chapter*, a defendant that is a corporation shall be deemed to reside in any judicial district in which it is subject to personal jurisdiction at the time the action is commenced.

Id. (emphasis added).[2] Thus, Congress changed § 1391(c) in at least three ways. First, the new § 1391(c) became purely definitional; it no longer contained any substantive venue rules authorizing plaintiffs to sue corporate defendants in certain districts. Second, the definition of corporate residence was broadened beyond the districts where the corporation was "incorporated," "licensed to do business," or "doing business" to include "any judicial district in which it is subject to personal jurisdiction." Third, Congress inserted the phrase "[f]or purposes of venue under this chapter" immediately before the new definition.

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[2] The second sentence addressed how the district in which a defendant corporation is subject to personal jurisdiction would be determined when the corporation was amenable to personal jurisdiction in a multi-district state.

In 1990, the Federal Circuit held that this new definition "clear[ly]" and "unambiguous[ly]" applied to § 1400(b), since that provision was part of Chapter 87 of Title 28 (the "chapter" referred to in the amended § 1391(c)). *VE Holding*, 917 F.2d at 1581. Accordingly, "the meaning of the term 'resides' in §1400(b) ha[d] changed" since *Fourco*. As applied to a corporate defendant, that term now encompassed not only the district where the corporation was incorporated but also any district where it was subject to personal jurisdiction. *Id.* at 1575.[3] This Court denied certiorari. *Johnson Gas Appliance Co. v. VE Holding Corp.*, 499 U.S. 922 (1991).

Petitioner criticizes *VE Holding* on two grounds. First, it asserts that *VE Holding* conflicts with *Fourco* because it held that, for purposes of § 1400(b), a defendant corporation could "reside" outside the state of its incorporation. Pet. 14-15. That *Fourco* and *VE Holding* reached different conclusions about the meaning of "resides" in § 1400(b) is indicative not of any conflict but rather the changes that Congress made to § 1391(c) in the intervening 33 years. Second, Petitioner asserts that *VE Holding* misread the import of the "[f]or purposes of venue under this chapter" language. It suggests this language did not require extending the § 1391(c) definition to § 1400(b). Pet. 23-26. However, Petitioner offers no plausible basis for

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[3] This change did not render superfluous the other choice of venue in § 1400(b): the district "where the defendant has committed acts of infringement and has a regular and established place of business." *VE Holding*, 917 F.2d at 1580 n.17. That alternative "remain[ed] operative with respect to defendants that are not corporations." *Id.*

interpreting the phrase as somehow embracing all of Chapter 87 of Title 28 *except* § 1400(b).

1. There Is No Conflict Between *VE Holding* and *Fourco*.

Petitioner accuses *VE Holding* of "openly reject[ing]" and even "overrul[ing]" *Fourco*. Pet. 14. *VE Holding* did no such thing. It determined only that *Fourco*'s interpretation of "resides" in § 1400(b) had been superseded by an act of Congress, namely the 1988 Act, which provided in "clear" and "unambiguous" terms that the revised definition of corporate residence in § 1391(c) would apply to *all* of Chapter 87 of Title 28. 917 F.2d at 1580. *Fourco* addressed the relationship between § 1400(b) and § 1391(c) when the language of § 1391(c) was too "non-specific" to permit the conclusion that Congress had intended for any definitional language in that provision to inform the meaning of "resides" in § 1400(b). *Id.* at 1579. After the 1988 Act, § 1391(c) "as it was in *Fourco* [was] no longer." *Id.* Congress had inserted the phrase "[f]or purposes of venue under this chapter"—the kind of "exact and classic language of incorporation" that was missing in the pre-1988 § 1391(c)—immediately before the new general definition of corporate residence, revealing "a clear intention" to apply that definition to § 1400(b). *Id.* at 1579-80.

Fourco's description of § 1400(b) as "the sole and exclusive provision controlling [patent] venue," 353 U.S. at 229, does not suggest a conflict with *VE Holding*. Section 1400(b) still "control[s]" venue in patent infringement cases insofar as it provides the venue choices in such cases—any district where the defendant "resides" and any district where the

defendant "has committed acts of infringement and has a regular and established place of business." As amended in 1988, § 1391(c) did not "establish[] a patent venue rule separate and apart from that provided under § 1400(b)" but rather "only operate[d] to define a term in § 1400(b)" that was nowhere defined in § 1400(b) itself. *VE Holding*, 917 F.2d at 1580; *see also* App. 7a. Thus, nothing in *VE Holding* conflicts with the principle that § 1400(b) is "controlling" in patent infringement cases.

In any event, in the years after *Fourco*, this Court qualified *Fourco*'s description of § 1400(b) as "controlling." *Brunette Machine Works, Ltd. v. Kockum Industries, Inc.*, 406 U.S. 706, 706-07 (1972), held that § 1400(b) did *not* control venue in patent infringement cases in which the defendant was an alien. Instead, venue in such cases was governed by a general venue statute, 28 U.S.C. § 1391(d), which then provided that "an alien may be sued in any district." *Id.* *Brunette* distinguished *Fourco* on the grounds that § 1391(d) "stat[ed] a principle of broad and overriding application," whereas the version of § 1391(c) addressed in *Fourco* had "merely ma[de] an adjustment in the general venue statute." *Id.* at 714. A "principle of broad and overriding application" is exactly what Congress inserted into § 1391(c) in the 1988 Act by expressly providing that the revised definition of corporate residence would apply not just in cases governed by the general venue statute but also in any cases governed by any special venue statute contained in Chapter 87 of Title 28. *Brunette* confirms that *Fourco* does not deprive Congress of the ability to modify the meaning of words in § 1400(b) by these means.

To read *Fourco* as requiring any changes to the meaning of "resides" in § 1400(b) to be made explicit in the text of § 1400(b) itself, as Petitioner proposes, would impose a serious "disablement upon the Congress'[s] ability to enact or amend legislation." *VE Holding*, 917 F.2d at 1579. *Fourco* no more precluded Congress from redefining the meaning of "resides" via changes to § 1391(c) than it precluded a legislative redefinition of any other term or phrase in § 1400(b) (for example, "a regular and established place of business") by the same means.

2. *VE Holding* Correctly Interpreted the 1988 Revisions to § 1391(c).

Also meritless is Petitioner's suggestion that the Federal Circuit misinterpreted the 1988 amendments to § 1391(c). *VE Holding* faithfully applied the principle that "where . . . the statute's language is plain, 'the sole function of the courts is to enforce it according to its terms.'" *United States v. Ron Pair Enters.*, 489 U.S. 235, 241 (1989). This Court has "stated time and again that courts must presume that a legislature says in a statute what it means and means in a statute what it says there." *Arlington Cent. Sch. Dist. Bd. of Educ. v. Murphy*, 548 U.S. 291, 296 (2006) (quoting *Connecticut Nat. Bank v. Germain*, 503 U.S. 249, 253-54 (1992)). While Petitioner challenges *VE Holding*'s statutory interpretation on several grounds (none of them valid, as explained below), conspicuously missing from the Petition is a plausible *textual* basis for reading "[f]or purposes of venue under this chapter" to somehow mean "for purposes of everything in this chapter *except* § 1400(b)."

Petitioner surely would not challenge *VE Holding*'s result had the amended § 1391(c) begun with "[f]or purposes of venue under this chapter, including § 1400(b)." The absence of such obvious surplusage did not mean that § 1391(c) was inapplicable to § 1400(b). Rather, the lack of any clear indication in § 1391(c) that § 1400(b) *would be exempted* is conclusive evidence of congressional intent to apply the new definition of corporate residence to § 1400(b). "Certainly it would not be sensible to require Congress to say, 'For purposes of this chapter, *and we mean everything in this chapter . . .*,'" in order to accomplish this objective. *VE Holding*, 917 F.2d at 1579 (emphasis in original).

Petitioner dismisses the insertion of the "[f]or purposes of venue under this chapter" language as a "trivial stylistic language," because the phrase "for venue purposes" had appeared in the second clause of the pre-1988 version of § 1391(c) ("and such judicial district shall be regarded as the residence of such corporation for venue purposes"). Pet. 24. The change was neither "trivial" nor merely "stylistic." "For purposes of venue *under this chapter*" was the kind of "exact and classic language of incorporation" that made it unmistakably clear where the definition of corporate residence would apply. *VE Holding*, 917 F.2d at 1579 (emphasis added). In contrast, the vague and ambiguous pre-1988 phrase "[f]or venue purposes" found in the essentially superfluous second clause of § 1391(c), *see supra* at 8-9, did not amount to such "exact and classic language of incorporation" and left it unclear whether the second clause embraced only the general venue provisions of §§ 1391(a) and (b) (dealing with diversity and federal-question cases, respectively) or special venue provisions outside § 1391 as well.

Petitioner also suggests that the 1988 Act did not "clearly express[]" an intent to change the existing law. Pet. 24. "[T]he best evidence of Congress's intent is the statutory text." *Nat'l Fed'n of Indep. Bus. v. Sebelius*, 132 S. Ct. 2566, 2583 (2012). The phrase "[f]or purposes of venue under this chapter" provides an abundantly clear expression of congressional intent to extend the general definition of corporate residence to § 1400(b). *VE Holding*, 917 F.2d at 1581. Ultimately, Petitioner neither identifies any flaw in *VE Holding*'s textual analysis nor points to anything in the legislative history of the 1988 Act indicating that Congress meant to exclude § 1400(b) from the reach of § 1391(c). Indeed, the legislative history of the 1988 Act "reveals *no* legislative intent . . . contrary to the [statute's] plain meaning." *Id.* at 1580 (emphasis in original).

Petitioner suggests only that the legislative history did not expressly confirm what was already made clear in the statute's text. Pet. 24-25. However, "it would be a strange canon of statutory construction that would require Congress to state in committee reports or elsewhere in its deliberations that which is obvious on the face of a statute." *Harrison v. PPG Indus., Inc.*, 446 U.S. 578, 592 (1980). Accordingly, "legislative history need not confirm the details of changes in the law effected by statutory language before [this Court] will interpret that language according to its natural meaning." *Morales*, 504 U.S. at 385 n.2; *see also Whitfield v. United States*, 543 U.S. 209, 215-16 (2005) ("Given the clarity of the text, mere silence in the legislative history cannot justify reading an overt-act requirement, or a cross-reference to § 371, into § 1956(h).").

Moreover, while the contemporaneous legislative materials did not belabor the point made explicit in the amended § 1391(c)'s text, the amendment's evolution in the Judicial Conference of the United States, where it originated, demonstrates that its drafters intended it to accomplish exactly what *VE Holding* said. In 1984, the Judicial Conference's Subcommittee on Federal Jurisdiction circulated a draft proposal for amending § 1391(c) to address perceived problems with corporate venue.[4] In addition to expanding the definition of a corporation's residence to "any judicial district in which it is subject to personal jurisdiction," the initial proposal would have inserted the phrase "[f]or purposes of Subsections (A) and (B)" (*i.e.*, §§ 1391(a) and (b), dealing with venue in diversity and federal-question cases, respectively) immediately before the new definition.[5] The full Subcommittee adopted the substance of the proposal but, notably, replaced the prefatory language with "for purposes of venue under this chapter" before submitting it to Congress.[6]

As noted in *VE Holding*, Professor Edward H. Cooper, the Subcommittee's official reporter, confirmed in a memorandum to the Subcommittee that the new definition would apply to § 1400 and the rest of Chapter 87:

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[4] *See* Alan B. Rich et al., *The Judicial Improvements and Access to Justice Act: New Patent Venue, Mandatory Arbitration and More*, 5 BERKELEY TECH. L.J. 311, 317 (1990).

[5] *Id.* at 318.

[6] *Id.* at 319.

> The [new] definition of corporate residence in § 1391(c) now provides a basis for applying the substantial number of venue statutes enacted as part of various substantive federal laws. As a matter of caution, the proposal limits its definition of residence to the venue provisions gathered in Chapter 87 of the Judicial Code, *28 U.S.C. §§ 1391 through 1412.*

917 F.2d at 1574 (emphasis in original). The drafters of the amended § 1391(c) unquestionably intended the new definition of corporate residence to apply to all of Chapter 87 of Title 28, with no exception for § 1400(b). Their views are entitled to no less weight than those of the drafters of the 1948 revisions of the Judicial Code, on which *Fourco* placed heavy emphasis. *See* 353 U.S. at 226-29 (discussing Revisers' Notes).

Petitioner faults *VE Holding* for assuming the existence of "an elephant in a mousehole," the supposed "elephant" being the forum-shopping abuses allegedly made possible by that "revolution[ary]" decision. Pet. 24-25. However, Petitioner is able to discern this "elephant" only with hindsight. When *VE Holding* was decided in 1990, the notion that Congress would bring patent venue in closer harmony with general venue standards could hardly be described as "revolution[ary]." Indeed, as early as 1972, this Court observed that "changes in the general venue law ha[d] left the patent venue statute far behind." *Brunette*, 406 U.S. at 713 n.13; *see also infra* at 31-32.

The disproportionate concentration of patent cases in the Eastern District of Texas—the main criticism leveled at the current regime by Petitioner and the amici—has resulted from a combination of several post-

VE Holding developments, including the adoption of plaintiff-friendly local patent rules in that district and the proliferation of patent-assertion entities that manufacture transparently opportunistic connections to that jurisdiction in order to avail themselves of plaintiff-friendly rules and juries.[7] Indeed, it was not until the past decade that the Eastern District blossomed into a dominant destination for patent infringement plaintiffs.[8] In 1988, legislators could not have foreseen this forum-shopping "revolution." However, this does not suggest that Congress meant something other than what it said in unmistakably clear terms in the 1988 Act. Congress sometimes enacts statutes that have unintended consequences. When this happens, it is the task of Congress, not the judiciary, to revisit and revise the statute.

Citing *Wachovia Bank v. Schmidt*, 546 U.S. 303, 315-16 (2006), Petitioner invokes the canon *in pari materia*, under which "statutes addressing the same subject matter generally should be read as if they were one law." Pet. 25. Petitioner suggests that *VE Holding*

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[7] This proliferation is a relatively recent phenomenon. *See, e.g.*, Colleen V. Chien, *From Arms Race to Marketplace: The Complex Patent Ecosystem and Its Implications for the Patent System*, 62 HASTINGS L.J. 297, 311 (2010) (describing the "recent" "proliferation of companies focused on the assertion, rather than the commercialization, of patents they acquire").

[8] *See* Yan Leychkis, *Of Fire Ants and Claim Construction: An Empirical Study of the Meteoric Rise of the Eastern District of Texas as a Preeminent Forum for Patent Litigation*, 9 YALE J.L. & TECH. 193, 2004 (2007) (describing the rise of the Eastern District of Texas from "almost complete judicial obscurity only five years ago").

conflicted with this canon by according "the term 'resides' in § 1400(b) a different meaning than the term 'resident' in [28 U.S.C.] § 1694." *Id.* However, §§ 1400(b) and 1694 do not address "the same subject matter." Section 1694, located in Chapter 113 of Title 28, is not a venue provision; instead, it addresses personal jurisdiction. Specifically, it authorizes a patent infringement plaintiff to serve a defendant with process in a district "where the defendant is not a resident but has a regular and established place of business." 28 U.S.C. § 1694.

Wachovia itself made clear that the canon is inapplicable to statutes addressing venue and jurisdiction. *Wachovia* held that the statute prescribing venue for suits involving national banks was *not* to be read *in pari materia* with the statute conferring subject-matter jurisdiction over such suits. 546 U.S. at 315-16. *Wachovia* distinguished venue, "largely a matter of litigational convenience," from subject-matter jurisdiction, a "far weightier" matter concerning "a court's competence to adjudicate a particular category of cases." *Id.* Similarly, personal jurisdiction rules implicate far more than "litigational convenience," as they touch on the fundamental question of the court's power to bind the litigants before it. *Wachovia*'s logic is equally applicable here.

In any case, even if §§ 1400(b) and 1694 addressed the "same subject matter," the *in pari materia* canon could not override a clear statutory command. This canon "is resorted to for the purpose of ascertaining the meaning of a statute, when explanation is necessary." *Coosaw Mining Co. v. South Carolina*, 144 U.S. 550, 560 (1892). In contrast, "where the statute is itself

plain, the rule cannot be resorted to." *Id.* Section § 1391(c), as amended in 1988, fell squarely into this category.

Petitioner also invokes the canon that, "[h]owever inclusive may be the general language of a statute, it will not be held to apply to a matter specifically dealt with in another part of the same enactment," implying that § 1391(c)'s general definition of corporate residence cannot apply to § 1400(b) because that issue is already "specifically dealt with" there. Pet. 25 (internal quotation marks and citations omitted). To the contrary, § 1400(b) has never contained a definition of the term "resides" with respect to either corporations, unincorporated businesses, or individuals. As such, this provision has never "specifically dealt with" the issue expressly addressed by the 1988 revisions to § 1391(c).

Nor is there any merit to Petitioner's assertion that a corporate defendant can "reside[]" in only one district for purposes of § 1400(b) because the first definite article "the" in the phrase "the judicial district where the defendant resides" supposedly "connotes a *particular* district." Pet. 23 (emphasis in original). The pertinent part of § 1400(b) reads in full: "*the* judicial district where the defendant resides, *or* where the defendant has committed acts of infringement and has a regular and established place of business." (Emphasis added.) By Petitioner's logic, "the judicial district . . . where the defendant has committed acts of infringement and has a regular and established place of business" would also have to refer to one particular district. Yet a defendant can obviously infringe and have a regular and established place of business in any

number of jurisdictions. The definite article "the" in the phrase "the judicial district" does not have the suggested restrictive connotation.

In short, Petitioner has neither shown a conflict between *VE Holding* and *Fourco* nor offered any plausible criticism of *VE Holding*'s interpretation of the 1988 Act.

C. The 2011 Amendments Confirm That the Definition of Corporate Residence in § 1391(c) Applies to § 1400(b).

Petitioner suggests that the Federal Courts Jurisdiction and Venue Clarification Act of 2011, Pub. L. No. 112-63, § 202, 125 Stat. 758, 763 (2011) (the "2011 Act"), "removed any possible basis" for applying § 1391(c)'s definition of corporate residence to § 1400(b). Pet. 26. If anything, the 2011 Act strongly reaffirmed Congress's intention to define "resides" in § 1400(b) through § 1391(c). In the 2011 Act, Congress replaced the phrase "[f]or purposes of venue under this chapter" at the beginning of § 1391(c) with even broader language: "[f]or all venue purposes."[9] The legislative history left no doubt that the proposed § 1391(c) "would apply to *all* venue[]statutes, including venue provisions that appear elsewhere in the United States Code." H.R. REP. NO. 112-10, at 20 (2011) (emphasis added). Indeed, the 2011 Act makes Petitioner's assertion that *VE Holding* was wrongly decided irrelevant; even if it were true that Congress

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[9] Congress placed the definition of corporate residence in paragraph (2) of § 1391(c). New paragraphs (1) and (3) define the residence of natural persons and aliens, respectively.

did not intend to extend the § 1391(c) definition of corporate residence to patent venue in 1988, it clearly intended to do so in 2011.

The amended § 1391(c)'s text and legislative history confirm its universal applicability in no uncertain terms. Remarkably, the Petition states unequivocally that the phrase "[for] purposes of venue under this chapter" was "repealed" in the 2011 Act without mentioning the introductory clause that replaced it or the accompanying explanation in the House Report. The phrase was not "repealed" but only broadened: whereas the 1988 Act made § 1391(c)'s definition applicable to all venue statutes in Chapter 87 of Title 28, the 2011 Act made it applicable to "all" venue statutes in the U.S. Code. *See* App. 5a.

Petitioner suggests the new § 1391(c) nonetheless excludes § 1400(b) because of changes to § 1391(a). Previously, § 1391(a) dealt with venue in diversity cases; that issue is now addressed in § 1391(b), which now covers both diversity and federal-question cases. The new § 1391(a) reads, in relevant part:

> (a) Applicability of Section.—Except as otherwise provided by law—
>
> > (1) this section shall govern the venue of all civil actions brought in district courts of the United States; and
> >
> > (2) . . . .

According to Petitioner, the phrase "[e]xcept as otherwise provided by law" makes the definition of corporate residence in § 1391(c)(2) inapplicable to § 1400(b). *See* Pet. 26-28. Petitioner identifies no

statutory "law" besides § 1391(c)(2) that expressly defines the residence of a corporation for purposes of § 1400(b). Rather, Petitioner suggests that *Fourco* is the "law" that provides "otherwise," as those words are used in § 1391(a). *See id.*

The decision below rejected this argument as "utterly without merit or logic," and rightly so. App. 6a. *Fourco*'s construction of "resides" had long ceased to have the force of law by the time of the 2011 Act. It was made obsolete by the 1988 Act, which expressly extended the modern statutory definition of corporate residence to § 1400(b) and the rest of Chapter 87. *VE Holding*, 917 F.2d at 1579; App. 6a-7a. Petitioner has presented no evidence that, notwithstanding the 1988 Act and *VE Holding*, Congress somehow understood *Fourco*'s construction to be the prevailing law. In fact, both "before and after these [2011] amendments, in the context of considering amending the patent venue statute, Congressional reports have repeatedly recognized that *VE Holding* is the prevailing law." App. 7a (citing various House and Senate reports). Nor has Petitioner shown that Congress intended in 2011 to *restore* the *Fourco* definition of corporate residence to the status of the prevailing law. The 2011 Act's text and legislative history conclusively show the opposite; Congress intended the new § 1391(c) to apply to "all" venue statutes. *See supra* at 23-24.

By ignoring the wording and history of the 2011 amendments, Petitioner proceeds as if legislative intent does not matter. However, "[i]n the interpretation of statutes, the function of the courts is . . . to construe the language so as to give effect to the intent of Congress." *United States v. Am. Trucking Ass'ns*, 310

U.S. 534, 542 (1940); *see also Philbrook v. Glodgett*, 421 U.S. 707, 713 (1975) ("Our objective . . . is to ascertain the congressional intent and give effect to the legislative will."); *Griffin v. Oceanic Contractors*, 458 U.S. 564, 570 (1982) ("Our task is to give effect to the will of Congress[.]").

Petitioner's sole argument is that the Federal Circuit "ha[d] no authority to overrule" *Fourco*, and thus the *Fourco* definition of "resides" remains the "law" within the meaning of the phrase "[e]xcept as otherwise provided by law." Pet. 27. *VE Holding* did not purport to "overrule" *Fourco*; it held only that the *Fourco* definition had been superseded by congressional action. App. 6a (explaining that, "[i]n 1988, the common law[10] definition of corporate residence for patent cases was superseded by a Congressional one"). *Fourco* interpreted the statutory framework as it existed in 1957; Congress revised that framework in 1988; and *VE Holding* simply gave effect to the clear statutory language extending § 1391(c)'s definition of corporate residence to § 1400(b). This Court denied certiorari, *Gas Appliance*, 499 U.S. at 922, and *VE Holding* (a decision of the Court of Appeals with exclusive jurisdiction over appeals from civil actions "arising under" federal patent law) has since then stood as settled, authoritative, and controlling law. Petitioner essentially argues that Congress's

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[10] Petitioner takes issue with the Federal Circuit's description of *Fourco* as a "common-law" decision and suggests the meaning of "resides" in § 1400(b) is better thought of as a matter of statutory interpretation. Pet. 26. Irrespective of these labels, it was clearly within Congress's authority to override *Fourco*'s construction of "resides," which is precisely what it did in the 1988 Act.

amendment of a statute that, in clear terms, supersedes this Court's interpretation of an earlier version of the statute cannot carry the force of law until this Court grants certiorari and expressly confirms what is already apparent from the face of the amendment. Petitioner cites no authority for this novel proposition.

The import of the phrase "[e]xcept as otherwise provided by law" is far more straightforward than Petitioner suggests. That phrase has always been in § 1391. Before 2011, it was found in both §§ 1391(a) and (b), which provided the generally applicable venue choices for diversity and federal-question cases, respectively. Thus, § 1391(b) provided that a federal-question case "may, except as otherwise provided by law, be brought only in" enumerated districts (*e.g.*, one "in which a substantial part of the events or omissions giving rise to the claim occurred"). Section 1391(a) included identical language. 28 U.S.C. §§ 1391(a)-(b) (2006). This phrase clarified that the venue choices generally available under §§ 1391(a) and (b) did not displace the venue choices set forth in special venue statutes; for example, a patent infringement case could not be brought in a district where "a substantial part of the events or omissions giving rise to the claim occurred" unless that district also happened to meet the § 1400(b) criteria.

In the 2011 Act, Congress consolidated the venue rules for diversity and federal-question cases in § 1391(b) and placed the phrase "[e]xcept as otherwise provided by law" in § 1391(a). As indicated in the legislative history, § 1391(a) would simply "follow current law in providing the general requirements for

venue choices, but would not displace the special venue rules that govern under particular Federal statutes." H.R. REP. NO. 112-10, at 18. That is, a patent infringement plaintiff must still look to § 1400(b) to determine where venue would be proper. However, the *meaning* of "resides" in § 1400(b)—or any number of other special venue statutes that use the term without expressly defining it—is governed by § 1391(c), which defines residency "[f]or all venue purposes" and was intended by Congress to "apply to all venue[]statutes." *Id.* at 20.

The statutory framework is as clear now as it was before 2011. Section 1391(c) continues to define the term "resides" in § 1400(b) with respect to corporate defendants. The Petition presents no question worthy of review.

II. Patent Venue Reform Is Properly Left to Congress.

Petitioner and the amici criticize the current patent venue rules for enabling forum-shopping, highlight the disproportionate concentration of patent cases (many of them brought by patent-assertion entities) in the Eastern District of Texas, and urge this as evidence that the Court should hear this case. Respondent disputes neither the existence of patent forum-shopping nor the need for reform. However, the current statutory scheme is clear: a corporate infringer can be sued in any district where it is subject to personal jurisdiction. In matters of statutory interpretation, the Court finds itself "in no position to judge the comparative force of . . . policy arguments." *Microsoft Corp. v. i4i Limited Partnership*, 564 U.S. 91,

113 (2011). Any recalibration of patent venue remains in Congress's hands.

Leaving the issue to Congress is not only a matter of the constitutional allocation of legislative and judicial responsibilities but is also compelled by prudential considerations. However flawed the current status quo may be, reverting to the pre-1988 patent venue regime, whereby many nationwide infringers could be sued only in their home court, is by no means the ideal solution. "Congress has the prerogative to determine the exact right response—choosing the policy fix, among many conceivable ones, that will optimally serve the public interest." *Kimble v. Marvel Entertainment, LLC*, 135 S. Ct. 2401, 2414 (2015).

Congress is aware of the need for reform. A bill currently pending in the House would allow venue in patent cases in a carefully tailored range of jurisdictions: (1) where the defendant has its principal place of business or is incorporated, (2) where the defendant committed an infringing act and has a regular established physical facility, (3) where the defendant has consented to suit, (4) where an inventor conducted research and development that led to the patent, or (5) where any party has a physical facility where certain specified activity took place. H.R. 9, 114th Cong. § 3(g) (Jul. 29, 2015). A similar proposal is pending in the Senate as the Venue Equity and Non-Uniformity Elimination Act of 2016. S. 2733, 114th Cong. § 2 (2016).

The contrast between these nuanced proposals and the dramatic reversion to the pre-1988 regime urged by Petitioner is striking. In fact, Congress has rejected *less* drastic proposals precisely because of concerns that

they were too favorable to accused infringers. For example, the House considered amending § 1400(b) to allow venue in any district where *either* party "resides" and adding a § 1400(c) providing that a corporation is deemed to "reside" for purposes of subsection (b) in its state of incorporation *and* the district in which it has its principal place of business. H.R. 1908, 110th Cong. § 10 (Apr. 18, 2007). The bill passed the House, but the venue provision was eliminated and replaced with a seven-part test. *See* H.R. 1908, 110th Cong. § 11 (Sept. 7, 2007). Notably, the House Judiciary Committee "believe[d] that simply returning to the 1948 venue framework would be too strict for modern patterns of technology development and global commerce." H.R. REP. NO. 110-314, at 40 (2007).

A venue provision identical to the provision originally introduced in the House was also introduced in the Senate. S. 3818, 109th Cong. § 8 (2006); S. 1145, 110th Cong. § 10 (2007). It too was met with concern that it was unduly defendant-centric. *See, e.g.*, S. RPT. NO. 110-259, at 53 (2008) (additional views of Sens. Feingold and Coburn) (stating the provision was "skewed heavily in favor of infringer-defendants" and would "deter the filing of legitimate infringement suits"); 157 CONG. REC. S1030, 1033 (2011) (statement of Sen. Coons) (noting that companies that "initially supported legislative reform of venue, now fear that this provision will do more harm than good").

The articles on forum-shopping cited by Petitioner also do not call for a return to the pre-1988 venue regime but discuss a wide range of alternative proposals, including (1) reforming § 1400(b) in more nuanced ways, (2) creating specialized patent trial

courts, (3) using a pool of specialized patent trial judges who would be assigned new cases at random or by an assignment panel, (4) requiring random assignment of patent cases within the jurisdictions in which they are filed, or (5) creating nationwide uniform patent rules.[11] Nor do these articles blame the Federal Circuit for the forum-shopping ills, contrary to Petitioner's suggestion. While the excerpts quoted by Petitioner acknowledge that *VE Holding* reflected a shift in patent venue law, *see* Pet. 18 nn.6, 7, they do not pass judgment on the merits of *VE Holding*'s analysis of the 1988 Act, *much less* criticize that analysis.

There are good reasons why the proposals debated in Congress and the academic literature do not call for returning the pre-1988 regime. Indeed, that regime was widely criticized for being outdated and unduly restrictive. *See VE Holding*, 917 F.2d at 1583-84. As early as 1972, this Court observed that "changes in the general venue law ha[d] left the patent venue statute far behind." *Brunette*, 406 U.S. at 713 n.13. This was "ironic[]," because making venue in patent cases more restrictive than in other civil cases was *not* the intention behind Congress's enactment of the special patent venue statute in 1897—quite the opposite. *See id.* At the time, the general venue statute restricted

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[11] *See* Jeanne C. Fromer, *Patentography*, 85 N.Y.U. L. REV. 1444, 1480 (2010) (discussing first possibility); Daniel Klerman & Greg Reilly, *Forum Selling*, 89 S. CAL. L. REV. 241, 304 (2016) (discussing first and third possibilities); Leychkis, *supra* note 8, at 225-30 (discussing second, third, and fifth possibilities); J. Jonas Anderson, *Court Competition for Patent Cases*, 163 U. PA. L. REV. 631, 693, 695-96 (2015) (discussing third, fourth, and fifth possibilities).

venue in federal-question cases to the district where the defendant was an "inhabitant." *Id.* at 712. The special patent venue statute "gave patent claimants an advantage by authorizing as an additional venue alternative any district where the defendant maintained a regular place of business, and committed acts of infringement."[12] *Id.* at 713 n.13. The anachronistic state of patent venue that prevailed until Congress's 1988 amendments to § 1391(c) was in tension with the liberal spirit of § 1400(b)'s statutory predecessor. As far back as 1974, the ABA Section of Patent, Trademark and Copyright Law urged an amendment to § 1400(b) that would expressly extend the § 1391(c) definition of corporate residence to patent cases.[13] Other commentators advocated a complete repeal of § 1400(b), seeing no reason for placing patent cases outside the general venue laws.[14]

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[12] Although *Stonite* referred to the special patent venue statute as a "restrictive measure," 315 U.S. at 566, it was "restrictive" only in a limited sense. In the few years before 1897, patent infringement cases could be brought *anywhere* as a result of *In re Hohorst*, 150 U.S. 653, 661-62 (1893), which held that the general venue provisions "did not affect" cases over which federal courts had exclusive rather than concurrent jurisdiction. *Brunette* 406 U.S. at 712. The special patent venue statute "was of course more restrictive than the law as it was left by *Hohorst*, but it was rather less restrictive than the general venue provision then applicable to claims arising under federal law." *Id.* at 712-13.

[13] Albin H. Gess, *Desirability of Initiating Patent Litigation Wherever the Defendant is Found*, 1974 A.B.A. SEC. PAT. TRADEMARK AND COPYRIGHT L. 114, 115.

[14] *See, e.g.*, Richard C. Wydick, *Venue in Actions for Patent Infringement*, 25 STAN. L. REV. 551, 557-58 (1973) ("With the enactment of liberalized general venue laws, the patent venue

This widespread criticism of the pre-1988 regime demonstrates that it is not the solution to the forum-shopping problems of today. More importantly, given the clarity with which Congress has expressed its intention that §§ 1400(b) and 1391(c) be read together, it is not a solution that this Court has the prerogative to choose. However urgent the issue of patent venue reform may be, it is an issue that must be left to Congress.

III. This Case Is a Poor Vehicle to Address the Question Presented.

Even if this Court were inclined to wade into the patent venue dispute, this case would be a poor vehicle. It presents none of the forum-shopping concerns discussed by Petitioner. Respondent developed and practices the patented inventions and sued Petitioner, a nationwide infringer, not in Texas but in the jurisdiction where Respondent is incorporated and suffered injury and where Petitioner purposefully directed sales of its infringing product. App. 2a. It is telling that Petitioner could muster no more than a cursory argument in favor of a § 1404(a) discretionary venue transfer. *See* App. 42a n.11.

Moreover, a ruling on the venue question is unlikely to affect the actual dispute between these parties. This case is proceeding to trial in January 2017. *See Kraft Foods Group Brands LLC v. TC Heartland LLC et al.*,

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statute has long since outlived its original purpose."); 15 Charles A. Wright, Arthur R. Miller & Edward H. Cooper, *Federal Practice and Procedure* § 3823 (1990) ("[Section 1400(b)] ought to be repealed, and patent cases treated in the same fashion as federal question cases generally.").

No. 14-28-LPS (D. Del.) ("District Court Case"), ECF. No. 38. This is due primarily to *Petitioner's* strenuous opposition to *Respondent's* motion to stay the case pending the resolution of the parallel *inter partes* review of the patents-in-suit by the Patent Trial and Appeal Board, which prompted the district court to deny the stay and keep the original trial date. District Court Case, ECF No. 149. Since then, the parties have engaged in extensive discovery and trial preparation, and the case in all likelihood will be tried to a final judgment *before* this Court could consider the venue question on the merits. Even if this Court were to rule in Petitioner's favor, that would not justify setting aside the district court's judgment. Unless Petitioner lost at trial *and* showed that it would have won the case had it been tried in the proper venue, the trial court's denial of the motion to transfer venue would have to be deemed no more than a harmless error. *In re Volkswagen of Am., Inc.*, 545 F.3d 304, 318-19 (5th Cir. 2008) (en banc); *In re Nat'l Presto Indus., Inc.*, 347 F.3d 662, 663 (7th Cir. 2003).

Finally, the Court need not be concerned that the issue will permanently escape its review. As Petitioner notes, there has been "an explosion of motions for discretionary transfers of venue under 28 U.S.C. § 1404 and petitions for appellate review of such orders." Pet. 22. This "explosion" will likely present the Court with other, more suitable cases for addressing the question presented.

CONCLUSION

The Petition should be denied.

Respectfully submitted,

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RECORD AND BRIEFS

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IN THE

Supreme Court of the United States

TC HEARTLAND, LLC D/B/A HEARTLAND FOOD PRODUCTS GROUP,

Petitioner,

v.

KRAFT FOODS GROUP BRANDS LLC,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

REPLY BRIEF

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Respondent's Brief in Opposition makes three major arguments: (i) the Federal Circuit was correct in deviating from this Court's interpretation of 28 U.S.C. § 1400(b) (Opp. at 6–28); (ii) the issue should be left to Congress (Opp. at 28–33); and (iii) the Court should wait for some future "more suitable cases" to decide the Question Presented (Opp. at 34). We will address those arguments in turn below.

The most important feature of Respondent's brief, however, is what it is missing. Respondent does not dispute that the proper interpretation of 28 U.S.C. § 1400(b) is "a question of broad and general importance" (Pet. at 1); nor does it present any argument that, if certiorari were granted, this Court would face any jurisdictional or procedural impediment to deciding that question.

To the contrary, Respondent candidly acknowledges that it "disputes neither the existence of patent forum shopping nor the need for reform." Opp. at 28. That concession is necessary because of the immense and obvious importance of the issue, which has generated an outpouring of support for the Petition from a broad set of corporate, academic, and public interest amici. As those amici have told this Court, the Federal Circuit's post-1988 interpretation of § 1400(b) has:

- Resulted in "rampant and unseemly forum shopping" that "hampers innovation, generates erroneous results, and undermines respect for the rule of law." Brief of Amici Dell Inc. and the Software & Information Industry Association at 3, 6.
- "[L]ed to pervasive forum shopping" that "has fundamentally altered the landscape of patent litigation in ways detrimental to the patent system as a whole." Brief of Amici 32 Internet Companies, Retailers, and Associations at 3, 17 (citation omitted).
- Produced "a massive imbalance in the distribution of patent suits in the United

States" that undermines "core purposes underlying our patent laws." Brief of Amici American Bankers Association, the Clearing House Payments Company L.L.C., Financial Services Roundtable and Consumer Bankers Association at 8–9.

- Engendered abusive "forum shopping [of] the very sort" that "Congress sought to guard against when it adopted legislation limiting venue in patent litigation." Brief of Amicus Washington Legal Foundation at 14.
- Generated a "venue free-for-all" that "especially harms small companies and American consumers" and that "may be drawing courts into competition to *attract* patent owners—the ones with unilateral choice over forum—by adopting practices and procedures favorable to patent owners." Brief of Amici the Electronic Frontier Foundation and Public Knowledge at 3, 21.
- "[F]undamentally shaped the landscape of patent litigation in ways that harm the patent system, by enabling extensive forum shopping and forum selling." Brief of Amici 56 Professors of Law and Economics at 12.
- "[C]reated numerous practical negative consequences" including "concentration of most patent litigation [in] a select few district courts, which is bad for positive development of patent law." Brief of Amicus Paul R. Michel (retired Chief Judge of the Federal Circuit) at 1.

The immense dissatisfaction with the Federal Circuit's interpretation of the patent venue statute is so widely known that it has been acknowledged by the Director of the United States Patent and Trademark Office, Michelle K. Lee, who observed in a recent speech: "On venue, with nearly half of the patent cases filed in 2015 filed in a single district out of 94 federal judicial districts, it is easy for critics to

contend that plaintiffs seek out this district preferentially for the wrong reasons."[1] She pointedly noted that "the mere perception that there are advantages to be gained by forum-shopping challenges the public's faith in the patent system."[2]

When all of these voices are considered in light of (i) Congress's enactment and re-enactment of legislation restricting where venue is proper for patent infringement actions (Pet. at 9–12, 15–16); (ii) this Court's repeated past grants of certiorari to review and reverse lower decisions that threatened to undermine the venue limits of § 1400(b) and predecessor patent venue legislation (Pet. at 2–4, 12–16); (iii) the 2016 ABA House of Delegates Report and Resolution stating that the Federal Circuit's current interpretation of § 1400(b) is errant and contrary to this Court's patent venue precedents (Pet. at 16–17); (iv) the substantial body of academic literature ad-

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[1] Remarks by Director Michelle K. Lee at the IAM Patent Law and Policy Conference (Nov. 15, 2016), *available at* https://www.uspto.gov/about-us/news-updates/remarks-director-michelle-k-lee-iam-patent-law-and-policy-conference.

[2] *Id.* Director Lee also recognized that the patent venue was "likely" to be subject to "judicial" action. Director Lee is surely aware of the pendency of this case because, in the most recent oversight hearing for the USPTO held on September 13, 2016, by the House Judiciary Committee, Subcommittee on Courts, Intellectual Property and the Internet (video of hearing available at https://judiciary.house.gov/hearing/oversight-u-s-patent-trademark-office/), Subcommittee Chairman Issa described this case "T.C. Heartland v. Kraft" as "a big thing" (approximate time index in the hearing video: 41:20) and "a big deal" (42:50) and requested Director Lee to keep the Subcommittee informed as to developments in the case (43:38). In that hearing, PTO Director Lee agreed with Chairman Issa that the issue in this case is a "key, critical intellectual property issue" (42:40).

dressing and criticizing the Federal Circuit's current interpretation of § 1400(b) (Pet. at 17–19); and (v) the current grossly distorted allocation of patent suits among the district courts (Pet. at 5), it is easy to see why Respondent does not even attempt to argue that the Question Presented in this case lacks broad and general public importance or is otherwise unworthy of this Court's attention.

We now turn to the arguments the in Brief in Opposition, none of which present a ground for denying certiorari.

I. THE FEDERAL CIRCUIT'S INTERPRETATION OF § 1400(b) CONFLICTS WITH THIS COURT'S INTERPRETATION.

Respondent does not deny that, under the Federal Circuit's prevailing precedent, this Court's decision in *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222 (1957), is a dead letter. Respondent's argument is instead that the Federal Circuit was correct in deviating from *Fourco*. That contention can be quickly dispatched. Despite the liberal use of the words "clear" and "clearly" in its Opposition (*see* Opp. at 2, 3, 12, 13, 16, etc.), Respondent is unable to cite even a single source other than the challenged Federal Circuit decisions themselves to support its view that the lower court's position is correct.

By contrast, the House of Delegates of the American Bar Association, 56 Law and Economics Professors, and a former Chief Judge of the Federal Circuit are among the many, many neutral third parties who have supported Petitioner's position (Pet. at 23–30) that the Federal Circuit's current interpretation of § 1400(b) is legally wrong and that, if anything, the correct interpretation is clearly against the Federal Circuit's position. *See* SEC. INTELL. PROP. L., AM. BAR ASS'N, REPORT 108C at 2, *available at* http://www.americanbar.org/news/reporter_resources/annual-meeting-2016/house-of-delegates-resolutions/108c.html (stating that *VE Holding* and the decision below in this case "misinterpret the

venue statutes and do not follow Supreme Court precedent"); 56 Professors Br. at 2–5 (setting forth reasons to believe that the Federal Circuit's position is "incorrect" and is based on a rejection of this Court's precedent); Michel Br. at 2 (arguing that § 1400(b) is "clear" and that amendments to § 1391(c) provided no basis to abandon this Court's interpretation of § 1400(b)).

II. SPECULATION ABOUT POTENTIAL CONGRESSIONAL ACTION PROVIDES NO REASON TO DENY CERTIORARI.

Respondent argues the Question Presented is "properly left to Congress," Opp. at 28–33, but for at least four reasons, that argument is not a valid basis for avoiding certiorari.

First, speculation that Congress could, potentially, enact clarifying legislation to resolve disputes about statutory interpretation could be made in almost any non-constitutional case. Indeed, the more important an issue is, the more likely it becomes that some members of Congress will have considered the issue and introduced bills on the matter. Thus, considering the pendency of legislation as a factor *against* certiorari would have the perverse effect of directing this Court's time and attention *away from* important statutory issues.

Second, this Court has routinely disregarded speculation about potential future legislation in exercising its certiorari powers in past cases generally, and in patent cases in particular. Patent law involves substantial economic interests relevant to the nation's modern economy, and thus it is often true that one or more pending patent reform bills might affect the relevant issue presented in a petition for certiorari. In at least three patent cases from just the past few years, respondents have unsuccessfully urged this Court to deny certiorari on the grounds that the issues presented could possibly be addressed in one or more introduced bills. *See, e.g.*, Br. for Resp't in Opp'n at 17, Cuozzo Speed Techs. LLC v.

Lee, 136 S. Ct. 2131 (No. 15-446) (unsuccessfully urging this Court to deny certiorari on the grounds that the matter could be addressed by pending legislation); Br. in Opp'n at 41, Highmark Inc. v. Allcare Health Mgmt. Sys. Inc., 134 S. Ct. 1744 (2014) (No. 12-1163) (arguing, unsuccessfully, that pending bills were "much preferable vehicles" for addressing the legal issue presented); Br. in Opp'n at 33, Microsoft Corp. v. i4 Ltd. P'ship, 131 S. Ct. 2238 (2011) (No. 10-290) (arguing, unsuccessfully, that then-pending patent reform legislation provided a reason to deny certiorari).

Third, in this particular instance, there is no reason to think that congressional action is likely any time soon. Bills concerning patent venue have been pending in Congress for a decade; none have been enacted.

Finally, to the extent that they are at all relevant to this case, developments on Capitol Hill suggest that members of Congress are looking to this Court and this case to decide definitively the current state of the law on patent venue. In the oversight hearing for the USPTO held on September 13, 2016, the Chairman of the House Subcommittee on Courts, Intellectual Property and the Internet suggested that, to address the patent venue issue, Congress needed more "finality" than merely a decision by a "three-judge panel." *See* Video of Hearing, *available at* https://judiciary.house.gov/hearing/oversight-u-s-patent-trademark-office/ (approximate time index: 43:30). While the case for certiorari here is strong even without this Court considering the current state of affairs on Capitol Hill, recent developments there merely confirm the importance of this case and the issue it presents.

III. THIS CASE IS AN EXCELLENT VEHICLE FOR RAISING THE QUESTION PRESENTED.

In the final two pages of its brief, Respondent argues that this case purportedly is "a poor vehicle" for raising the Question Presented (Opp. at 33–34), but

not one of Respondent's arguments even purports to demonstrate that, if certiorari were granted, this Court would face any impediment to deciding the Question Presented in the Petition. Respondent's arguments are also wrong.

Respondent first asserts that this case purportedly does not involve "forum-shopping" (Opp. at 33), but the proper interpretation of 28 U.S.C. § 1400(b) is in no way dependent on whether the choice of an illegal forum is characterized as "forum-shopping" or something else. Even if Respondent's self-serving characterization of its litigation conduct were correct, that characterization would not affect the Court's ability to decide the Question Presented.

Respondent next asserts that "a ruling on the venue question is unlikely to affect the actual dispute between these parties." Opp. at 33. Even if this assertion were correct (and it is not),[3] it would mere-

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[3] Respondent mistakenly cites decisions involving the effect of district court orders denying transfers from one *proper* venue to another under 28 U.S.C. § 1404(a). Opp. at 34. In this case, by contrast, venue is contended to be *improper*, and a defendant sued in violation of a venue statute is entitled to relief on that ground alone, including after judgment on the merits. *See, e.g.*, *Leroy v. Great W. United Corp.*, 443 U.S. 173, 183–87 (1979); *Olberding v. Ill. Cent. R. Co.*, 346 U.S. 338, 340–42 (1953). Post-trial appellate review of venue defects is such a poor remedy that pre-trial review by mandamus petition has long been the traditional and preferred mechanism for testing whether venue is proper in a case. *See, e.g.*, *Atl. Marine Constr. Co. v. U.S. Dist. Court for W. Dist. of Tex.*, 134 S. Ct. 568, 581–84 (2013) (granting mandamus to correct erroneous venue ruling); *Hoffman v. Blaski*, 363 U.S. 335, 336–44 (1960) (same); *see also In re Volkswagen of Am., Inc.*, 545 F.3d 304, 319 (5th Cir. 2008) (en banc) (noting that an appeal after trial is a poor remedy for a venue defect because "the prejudice suffered cannot be put back in the bottle").

ly amount to a claim that Respondent could somehow *escape* the effect of a loss in this Court on the venue question. The assertion provides no basis for concluding that the Court will be unable to *decide* the Question Presented.[4]

Respondent finally asserts that "the Court need not be concerned that the issue will permanently escape its review." Opp. at 34. But if the Court denies certiorari in this case despite the vast array of corporate, academic, and public interest amici supporting certiorari (plus a resolution by ABA House of Delegates supporting the merits of Petitioner's argument), it is very, very difficult to imagine a future party undertaking the cost and risk of bringing this issue up to the Court with merely the hope that the certiorari process might produce a different result.

As multiple amici point out, seeking appellate review of a venue issue is a costly and arduous task

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[4] Contrary to the impression that Respondent attempts to create (Opp. at 33–34), Petitioner has never wavered in its objection to this case being tried in Delaware. In December 2014, over Petitioner's opposition, Respondent successfully urged the Delaware district court to move ahead with pre-trial proceedings notwithstanding Petitioner's then-pending motion to dismiss for improper venue. *See* Dist. Ct. Docket Items 30, 31. Only much later, when evidence of patent-defeating inequitable conduct emerged through discovery, did Respondent then abruptly reverse field and unsuccessfully urge the district court to halt pre-trial proceedings. It was not inappropriate for the district court to direct the parties to proceed with *pre-trial* proceedings despite the pending and unresolved venue issue, for pre-trial discovery would be usable at any trial of this case in the Southern District of Indiana. But there is every reason to believe that, if this Court grants certiorari, the district court will put off *trial* proceedings in this case because the results of any such trial could be rendered voidable by this Court's decision.

that many litigants will be in no position to undertake. Future litigants will also be aware that their only chance for a favorable ruling will be to litigate all the way to this Court, for the harsh language of the decision below provides a good indication of the Federal Circuit's likely reaction to any future challenge to a lower court's venue precedent. And it is especially difficult to imagine any future parties taking on that cost and risk if they will be confronted with the argument (as suggested by Respondent) that even a victorious party in this Court will not get any practical relief if a trial in the wrong district has already occurred, over objection, in the meanwhile.

Finally, Respondent does not suggest any other good reason for this Court to wait for the next case. There is no possibility of an inter-circuit split on this issue because of the Federal Circuit's national jurisdiction, and there is no prospect of meaningful additional percolation of the issue. The patent venue issue has been thoroughly studied from the standpoint of statutory interpretation, history, and policy. Waiting longer is pointless.

CONCLUSION

The Petition for Writ of Certiorari should be granted.

Respectfully submitted,

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RECORD AND BRIEF

No. 16-341

IN THE

Supreme Court of the United States

FILED
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OFFICE OF THE

TC HEARTLAND LLC D/B/A HEARTLAND FOOD PRODUCTS GROUP,

Petitioner,

v.

KRAFT FOOD GROUPS BRAND LLC,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF AMERICAN BANKERS ASSOCIATION, THE CLEARING HOUSE PAYMENTS COMPANY L.L.C., FINANCIAL SERVICES ROUNDTABLE AND CONSUMER BANKERS ASSOCIATION AS *AMICI CURIAE* IN SUPPORT OF PETITIONER

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INTEREST OF AMICI CURIAE[1]

The American Bankers Association ("ABA") is the principal national trade association of the financial services industry in the United States. Founded in 1875, the ABA is the voice for the nation's $13 trillion banking industry and its million employees. ABA members are located in each of the fifty States and the District of Columbia, and include financial institutions of all sizes and types, both large and small. The ABA, whose members hold a substantial majority of domestic assets of the banking industry of the United States and are leaders in all forms of consumer financial services, often appears as amicus curiae in litigation that affects the banking industry.

The Clearing House is a banking association and payments company that is owned by the largest commercial banks and dates back to 1853. The Clearing House Payments Company L.L.C. owns and operates core payments system infrastructure in the United States. The Payments Company is the only private-sector automated clearing house ("ACH") and wire operator in the United States, clearing and settling nearly $2 trillion in U.S. dollar payments

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[1] Pursuant to Rule 37.6, counsel represents that he authored this brief in its entirety and that none of the parties or their counsel, nor any other person or entity other than the *amici*, made a monetary contribution intended to fund the preparation or submission of this brief. Pursuant to Rule 37.2(a), counsel represents that counsel of record received timely notice of the intent to file this brief and all parties have consented to the filing of this brief. Petitioner has filed with the Clerk of the Court a letter granting blanket consent to the filing of *amicus* briefs; written consent of Respondent is being submitted contemporaneously with this brief.

each day, representing half of all commercial ACH and wire volume.

Financial Services Roundtable ("FSR") is the leading advocacy organization for America's financial services industry. With a 100-year tradition of service and accomplishment, FSR is a dynamic, forward-looking association advocating for the top financial services companies, keeping them informed on the vital policy and regulatory matters that impact their business. FSR members include the leading banking, insurance, asset management, finance and credit card companies in America.

Consumer Bankers Association ("CBA") is the only national financial trade group focused exclusively on retail banking and personal financial services-banking services geared toward consumers and small businesses. As the recognized voice on retail banking issues, CBA provides leadership, education, research, and federal representation for its members. CBA members include the nation's largest bank holding companies as well as regional and super-community banks that collectively hold two-thirds of the total assets of depository institutions.

Congress enacted a restrictive patent venue statute in response to abusive practices under the existing permissive venue regime. That was more than a century ago. This Court repeatedly has enforced that restriction and rejected efforts to relax venue in patent suits against domestic companies. In particular, it repeatedly has interpreted a domestic corporation's residence—for venue purposes in a patent suit—to be only its state of incorporation. *See Fourco Glass Co. v. Transmirra Prods. Corp.*, 353

U.S. 222, 226 (1957); *Brunette Mach. Works, Ltd. v. Kockum Indus., Inc.*, 406 U.S. 706, 707 n.2 (1972). But now this Court needs to repeat itself once again because the appeals court mistakenly has ruled that this Court's consistent position does not govern.

Amici Curiae have a strong economic interest in the resurrection of this restrictive interpretation. Their members and owners have faced numerous patent infringement suits in districts (i) where most *amici* members and owners are not incorporated and (ii) that are not the location of the underlying alleged infringing acts. More than 5% of companies targeted in suits by patent assertion entities are banks. *See* Stephen Joyce, *New Technologies Make Banks a Magnet for Patent Trolls*, Bloomberg BNA, Sept. 16, 2015, http://www.bna.com/new-technologies-banks-n17179936102/. Often, these suits lack merit but the cost of settling may be less than the cost of litigating until a ruling on the merits is issued. This burdens the defendant and can also allow patents to stand that should be invalidated. Applying the special venue statute's restriction on residence would be a step toward ending this serious problem in our nation's patent system.

BACKGROUND

A. MORE THAN 40% OF PATENT LAWSUITS ARE FILED IN A SINGLE DISTRICT

Today, more than 40% of patent lawsuits are filed in a single district. That district is not a technology hub or financial industry center and is not in Delaware where an outsized number of corporations incorporate. It is the Eastern District of

Texas, where in 2015 42% of all patent actions were filed: "This district alone accounts for 42% of all patent filings in 2015, and patent cases are 49% of the district's civil caseload that year." MARGARET S. WILLIAMS ET AL., FEDERAL JUDICIAL CENTER, PATENT PILOT PROGRAM: FIVE-YEAR REPORT 17-18 (April 2016), http://www.fjc.gov/public/pdf.nsf/lookup/Patent-Pilot-Program-Five-Year-Report-2016.pdf/$file/Patent-Pilot-Program-Five-Year-Report-2016.pdf ("FJC Report"). This concentration of patent suits in a single district is so pronounced that it has been mocked on HBO. *See Last Week Tonight with John Oliver: Patents* (April 19, 2015), http://www.hbo.com/last-week-tonight-with-john-oliver/episodes/02/34-april-19-2015/video/ep-34-clip-patents.html; *see also This American Life: When Patents Attack!* (July 22, 2011), http://www.thisamericanlife.org/radio-archives/episode/441/when-patents-attack; Julie Creswell, *So Small a Town, So Many Patent Suits*, N.Y. Times, Sept. 24, 2006, http://www.nytimes.com/2006/09/24/business/24ward.html.

B. PLAINTIFFS' PREFERRED FORUM IS 4.65 TIMES LESS LIKELY TO STAY AN ACTION PENDING PATENT OFFICE REVIEW

Five years ago, Congress recognized that many issued patents are invalid in whole or in part so it passed The Leahy-Smith America Invents Act, 35 U.S.C. §100 *et seq.*, to combat that and other problems. This Act established expedited trial

procedures in the Patent Office to review the patentability of issued patents. The history of these Patent Office trials confirms Congress's premise. As of July 31, 2016, the Patent Office had completed 1,086 "inter partes review" trials since the Act, and in 928 of these trials it had held unpatentable some or all of the patent claims at issue. *See* U.S. PATENT AND TRADEMARK OFFICE, PATENT TRIAL AND APPEAL BOARD STATISTICS (July 31, 2016), at 10, http://www.uspto.gov/sites/default/files/documents/2016-07-31%20PTAB.pdf. It also had completed 134 "covered business method" patent trials, and in 131 of these it had held unpatentable some or all patent claims at issue. *Id.* at 11.

Naturally, most petitions for Patent Office review of issued patents are made in response to being sued in court for infringement of the patent. Unless the court stays the infringement suit, two patent review proceedings proceed in parallel, raising costs for the parties. While Congress did not require trial courts to stay patent infringement actions pending such Patent Office trial review, such stays are commonly granted—except in the District patent plaintiffs choose 42% of the time.

In patent suits filed by non-practicing entities, plaintiffs' preferred District reportedly is 4.65 times less likely to stay the action pending Patent Office review than the national average. Douglas B. Wentzel, *Stays Pending Inter Partes Review: Not In The Eastern District Of Texas*, 98 J. Pat. & Trademark Off. Soc'y 120, 137 (2016) (In cases filed by non-practicing entities, "[a]s of August 31, 2015, the grant rate for stays pending IPR in the Eastern District was just 15.6%–4.65 times less than the

nationwide average of 72.5% . . . ."). The Federal Judicial Center has reported a similar imbalance: "The Eastern District of Texas, for example, represents 50% of the cases in the database, but only 20% of all stays for PTO or ITC review. The Northern District of California, on the other hand, represents 6% of the patent cases in the database, but 23% of the stays for PTO or ITC review. These differences merit further investigation." FJC Report at 17-18.

C. PLAINTIFFS' PREFERRED FORUM IS ABOUT 7 TIMES LESS LIKELY TO REACH JUDGMENT

The most obvious purpose of patent litigation is to enforce valid patents against infringement. Another important purpose is to invalidate improperly issued patents. That, of course, requires that the action reach judgment. Patent actions filed in patent plaintiffs' preferred District are less likely to reach judgment. "In the Eastern District of Texas a mere 1% of cases are terminated by judgment, whereas overall, cases resulting in judgment represent 7% of all terminations." FJC Report at 33 (addressing cases in "patent pilot" districts).

SUMMARY OF ARGUMENT

The question of statutory interpretation here is whether the applicable venue statutes, properly interpreted, specially restrict venue when suing a domestic corporation for patent infringement. They do. As the Petition explains, the special venue statute for patent cases, 28 U.S.C. § 1400(b), restricts a domestic corporation's residence to its state of incorporation and that restriction is not overridden

by the current general venue statute, *id.* § 1391. *Amici* agree with the statutory-interpretation analysis of Petitioner but submit this brief to address an additional tool of statutory interpretation supporting the same conclusion. Specifically, the Court's consistent interpretation of the special, restrictive patent venue statute also is compelled by core purposes of our patent laws that are defeated by easy forum shopping.

ARGUMENT

I. CORE PURPOSES OF PATENT LAW SUPPORT THE COURT'S INTERPRETATION OF THE PATENT VENUE STATUTE

The Court's consistent interpretation of the patent venue statute is compelled by core purposes of the Patent Act. When interpreting a statute it is appropriate to consider the purpose of the statute and statutory framework.

In interpreting a bankruptcy statute regarding which expenses a debtor may exclude from his income when determining his ability to pay a debt, this Court considered the purpose of the law. *Ransom v. FIA Card Servs., N.A.*, 562 U.S. 61 (2011). *Ransom* interpreted a provision of the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (BAPCPA) allowing a debtor, in calculating his "reasonably necessary" expenses, to claim only "applicable" expense amounts listed in certain IRS published standards. The issue was whether a debtor, who owns a car but does not make loan or lease payments on it, may claim the published standard deduction for vehicle-ownership costs. After

primary statutory interpretation tools pointed to a narrow view of "applicable," limiting the debtor to expenses actually relevant to his situation, the Court turned to the overall statute's purpose: "consideration of BAPCPA's purpose strengthens our reading of the term 'applicable.'" *Id.* at 71. The purpose of the statutory means test was to ensure that debtors repay creditors the maximum amount the debtors can afford. "This purpose is best achieved by interpreting the means test, consistent with the statutory text, to reflect a debtor's ability to afford repayment." *Id.*

In *Dolan v. U.S. Postal Serv.*, 546 U.S. 481 (2006), the petitioner tripped and fell over mail left on her porch by a Postal Service employee. The statutory interpretation issue was whether the following exception in the broad waiver of immunity in the Federal Tort Claims Act applied: "[a]ny claim arising out of the loss, miscarriage, or negligent transmission of letters or postal matter." *Id.* at 491. In interpreting this exception narrowly, to be inapplicable to the petitioner's slip and fall action, the Court considered the "'central purpose of the statute,' which 'waives the Government's immunity from suit in sweeping language.'" *Id.* at 492. "Interpretation of a word or phrase depends upon reading the whole statutory text, considering the purpose and context of the statute, and consulting any precedents or authorities that inform the analysis." *Id.* at 486.

Here, the contrary interpretation of the patent venue statute by the appeals court indisputably has led to easy forum shopping and a massive imbalance in the distribution of patent suits in the United

States. This in turn undermines two core purposes underlying our patent laws: (1) favoring strict post-issuance scrutiny of government-granted patent monopolies, and (2) favoring efficient patent licensing and follow-on innovations.

A. EASY FORUM SHOPPING UNDERMINES STRICT SCRUTINY OF GOVERNMENT-GRANTED MONOPOLIES

The Court long has viewed post-issuance scrutiny of patent monopolies as essential to our patent system. The "important public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain," led the Court to permit patent licensees to challenge validity because otherwise, "[i]f they are muzzled, the public may continually be required to pay tribute to would-be monopolists without need or justification." *Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969). Post-issuance scrutiny of patents is necessary not only to cancel invalid patents but also to restrict the scope and use of valid patents: "[o]nce the patent issues, it is strictly construed, it cannot be used to secure any monopoly beyond that contained in the patent, the patentee's control over the product when it leaves his hands is sharply limited, and the patent monopoly may not be used in disregard of the antitrust laws." *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 230 (1964) (citations omitted). For example, a patent owner "should not be . . . allowed to exact royalties for the use of an idea . . . that is beyond the scope of the patent monopoly granted." *Blonder-Tongue Labs., Inc.* v. *Univ. of Ill. Found.*, 402 U.S. 313, 349–350 (1971).

An efficient and fair patent litigation system promotes all of these public policies of our patent system. The Patent Act allows those accused of infringement to defend on the ground that the patent is invalid or unenforceable. It allows trial judges to construe patent claims, often more narrowly than the scope the patent owner had asserted in its enforcement efforts. Patent litigation identifies and cancels invalid patents, defeats overly broad assertions of patent scope, and penalizes misuse of patent monopolies—all serving the public interest. Conversely, easy forum shopping defeats each of these purposes.

Easy forum shopping often allows patent owners to choose the forum least likely in the nation to allow a speedy or low-cost determination of invalidity or non-infringement. For example, patent owners with questionable patents and/or unreasonable infringement assertions naturally will flock to the district least likely to stay a patent suit pending Patent Office review proceedings, least likely to grant an early motion to dismiss for patent invalidity, least likely to allow an early summary judgment motion of non-infringement or invalidity, and least likely to enter judgment of patent invalidity.

In sum, the heavy concentration of patent suits in a single preferred forum of patent plaintiffs does not merely disadvantage individual defendants. It undermines the public policy favoring strict scrutiny of issued patents.

Simple economics demonstrates that easy forum shopping especially shields the weakest patents from the necessary scrutiny. Patent owners

with questionable patents or infringement allegations often seek and extract settlements under the cost of defense. *See, e.g.*, Ranganath Sudarshan, *Nuisance-Value Patent Suits: An Economic Model and Proposal*, 25 Santa Clara Computer & High Tech. L.J. 159 (2009). This values the patent asset not on its legitimacy or contribution to the art but rather on avoiding the cost of proving that the asset is invalid or inapplicable. When the value of the asset is therefore directly derived from the amount of defense costs that will be incurred prior to a ruling on the merits, such patent owners rationally choose the forum that imposes the greatest costs to obtain a merits ruling. Consequently, patents that should promptly be invalidated or declared inapplicable to modern technology instead, by virtue of cost-of-defense settlements, survive to tax or cloud what ought to be in the public domain.

Today, perhaps the single greatest factor in the cost of defending a patent suit is the district court's willingness to stay the suit pending Patent Office review. A patent-infringement suit defendant can easily spend ten times more money defending itself in court than it spends in a Patent Office trial. Patent plaintiffs naturally are more likely to file suit in a district that is 4.65 times less likely to stay the expensive patent infringement action pending the inexpensive Patent Office trial.

This harm forum shopping causes to a core purpose of our patent system supports the statutory interpretation urged by Petitioner and *amici*, which interpretation restricts such forum shopping.

B. EASY FORUM SHOPPING UNDERMINES PATENT LICENSING AND INNOVATION

Easy forum shopping also encourages a sue-first regime that promotes litigation over negotiation. This, of course, would be unwelcome in any area of law, but it is particularly antithetical to our patent system. Our patent system's promotion of innovation depends not only on motivating first innovators by issuing them patents but also on motivating subsequent innovators to invent around those issued patents. These dual engines of innovation fostered by our patent system depend on a well-functioning system of patent notices and licensing.

More specifically, issuing patents on true inventions can promote innovation partly by encouraging others to either further invent to avoid those patents (perhaps further advancing the arts) or to instead take a license to use the patented technology (rewarding the first innovator and spreading the benefits of the invention). Multiple Patent Act provisions further this purpose. Section 287 encourages patent owners to give actual notice of patents and infringement allegations. Section 154(d) encourages patent applicants to also give potential infringers actual notice of published patent applications. Further, § 112 mandates particular and distinct patent claims, in part to provide clear notice to follow-on innovators who want to innovate around a patent without risking suit.

Properly construed, the special patent venue statute's restriction on forum shopping also furthers this core purpose of the patent system. Without this

statute, properly interpreted, patent owners often are free to choose virtually any forum of their liking, and become loath to provide pre-suit notice of infringement for fear that they might forfeit the forum of their choice, should the alleged infringer respond with a declaratory judgment action in a different forum. But the calculus is different under the restrictive venue dictate of § 1400(b) limiting patent suits to districts where the defendant domestic corporation is incorporated or has an established place of business and has allegedly infringed. That venue restriction reduces the strategic forum-shopping disincentive to do what the patent system encourages—provide notice of the patent and alleged infringement and attempt to resolve the matter without litigation.

In sum, interpreting the patent venue statute to allow easy forum shopping defeats core purposes of our patent system.

C. THE SPECIAL PATENT VENUE STATUTE DOES NOT UNDULY BURDEN PATENT OWNERS

Some urging maintenance of today's easy forum shopping regime argue that applying *Fourco* would unduly restrict patent holders' ability to enforce their patents. But *Fourco* does not unduly burden patent owners. First, the special patent venue statute does not restrict venue in suits against foreign defendants. *See Brunette*, 406 U.S. at 707. Second, it extends venue not only to the domestic corporation's state of incorporation but also all places "where the defendant has committed acts of infringement and has a regular and established place

of business." 28 U.S.C. § 1400(b). This "place of business" avenue has been interpreted liberally, to mean doing business "through a permanent and continuous presence" in the district, but not necessary a fixed physical presence. *See In re Cordis Corp.*, 769 F.2d 733, 737 (Fed. Cir. 1985). Often this affords the patent owner multiple venue choices, especially in actions against large corporations with regular and established places of business throughout the country.

D. NOTING THE HARM CAUSED BY EASY FORUM SHOPPING IS NOT AN ATTACK ON ANY PARTICULAR FORUM

None of the points made by Petitioner or *amici* imply, depend on, or assume wrongdoing by any trial court. It is a strength of our federal judiciary that trial courts enjoy latitude in varying procedures and policies within certain constraints. The point, instead, is that given the opportunity patent owners naturally flock to a district at the extreme end of these natural variations, which inevitably will exist in a system with more than 90 district courts. What is a strength generally harms central purposes of our patent system. This is one reason why the Court again should recognize and enforce Congress's judgment that patent suits be governed by their own special, restrictive venue provision.

CONCLUSION

Amici respectfully request the Court grant *certiorari* to again rule that the patent venue statute restricts a domestic corporation's residence to its

state of incorporation, which restriction advances core purposes of our patent system.

Respectfully submitted.

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TC HEARTLAND LLC,

Petitioner,

v.

KRAFT FOOD BRANDS GROUP LLC,

Respondent.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

BRIEF OF DELL INC. AND THE SOFTWARE & INFORMATION INDUSTRY ASSOCIATION AS *AMICI CURIAE* IN SUPPORT OF PETITIONER

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INTEREST OF *AMICI CURIAE*[1]

Amicus curiae Dell Inc. is a leading technology company, and has substantial interests in restoring the statutory limits on patent venue and ameliorating the forum shopping that has infected patent litigation for two and a half decades.

Dell Inc. and EMC Corporation recently merged, creating a new, combined company known to the world as Dell Technologies. The combined entity, one of the world's largest technology companies, sells products including personal computers, servers, enterprise storage systems, and computer and network security products.

Dell owns more than 20,000 patents and applications worldwide and recognizes the importance of protecting valid intellectual property rights.

Dell is a Delaware corporation, headquartered in Round Rock, Texas. Its enterprise storage division, Dell EMC, is headquartered in Hopkinton, Massachusetts, as was its predecessor, EMC Corporation.

Amicus Software & Information Industry Association ("SIIA") is the principal trade association for the software and digital information industries. The 700-plus software companies, search engine providers,

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[1] Pursuant to Supreme Court Rule 37.6, counsel for *amici curiae* states that no counsel for a party authored any portion of this brief, and no person other than *amici curiae* or their counsel or members made any monetary contribution intended to fund the preparation or submission of the brief. Counsel of record received timely notice of intent to file this brief, and all parties have consented to the filing of this brief.

data and analytics firms, information service companies, and digital publishers that constitute its membership serve nearly every segment of society, including business, education, government, healthcare, and consumers. They, like Dell, also find themselves disproportionately subject to patent suits in one venue with which they have little connection beyond the happenstance that some of their products or services are sold or put to use in the jurisdiction.

Such litigation predictably is brought by "patent trolls": Dell and SIIA's members regularly are targeted by made-for-litigation entities who assert infringement of patents they do not practice. Such non-practicing entities, who may exist on paper only and who in any event typically have few or no employees to inconvenience, generally file their lawsuits in one or two hand-picked district courts with a well-earned reputation for delivering outcomes favorable to patent holders, and which have no connection to the dispute beyond the fact that a nationally distributed product was sold or used there.

Litigation in these forums often proceeds differently from litigation in other courts: Defendants typically must immediately engage in costly discovery, even if they have moved to dismiss the case in its entirety or to transfer it to another venue. Judges presiding over patent infringement cases in these courts often will proceed with advanced phases of the case, like claim construction, without rendering a decision on these early motions. When these courts eventually rule on the motions, they typically send the case to trial in their court: They deny summary judgment at disproportionately high rates and routinely refuse to transfer cases to vastly more convenient forums. And

when cases are tried to verdict, a jury that finds infringement often awards damages in eye-popping amounts.

A defendant trapped in one of these forums faces tremendous pressure to settle even transparently meritless cases. The cost of litigating a patent suit to and through trial is so substantial, and the damage awards frequently on offer in these forums are so outlandish, that many defendants will pay extortionate sums to eliminate the outsized risks associated with continuing to litigate in that forum. And those that do not settle must incur at least a cost of defense that almost invariably runs into the millions of dollars.

According patentees an unbounded choice of forum for their infringement actions thus imposes significant costs on technology companies that bring value-creating products to market—costs that hamper the ability of such companies to continue to innovate and enrich the lives of consumers. As this Court held almost six decades ago in *Fourco Glass Co.* v. *Transmirra Products Corp.*, 353 U.S. 222 (1957), Congress did not intend to impose these costs on defendants in patent-infringement actions.

Amici have a substantial interest in ensuring that the balance struck by Congress in 28 U.S.C. § 1400(b) is respected.

SUMMARY OF THE ARGUMENT

The present regime, characterized by its rampant and unseemly forum shopping, stems from an easy-to-correct misinterpretation of the patent venue statute. For two and a half decades, the Federal Circuit has interpreted the special patent venue statute, 28 U.S.C. § 1400(b), as eclipsed by the broader general

venue statute, 28 U.S.C. § 1391(c), even though this Court has repeatedly held that it is not. As a direct consequence, patent plaintiffs have enjoyed virtually unbounded choice of venue in patent cases. The decision below perpetuates—indeed, cements—that free-for-all, even though Congress recently amended the venue statutes in ways that undermine the Federal Circuit's stated reason for departing from this Court's precedent. This Court should review the court of appeals' resolution of the important federal question presented in the petition—a resolution which directly conflicts with decisions of this Court yet governs all patent cases—and reverse.

I. The decision below rejects this Court's settled precedent interpreting the patent venue statute as "no longer the law," even though the relevant provisions are little changed from the versions this Court already had interpreted. Pet. App. 6a.

A. Fifty-nine years ago, in *Fourco Glass Co.* v. *Transmirra Products Corp.*, 353 U.S. 222 (1957), this Court answered the very question presented here: "whether 28 U.S.C. § 1400(b) is the sole and exclusive provision governing venue in patent infringement actions, or whether that section is supplemented by 28 U.S.C. § 1391(c)." *Id.* at 222; *see* Pet. i. The Court held that Section 1400(b) stands alone and permits patent-infringement suits against corporations only where they are incorporated or have a regular and established course of business and committed acts of infringement. 353 U.S. at 226, 229.

B. Then, in 1990, the Federal Circuit distinguished *Fourco* on the basis of a 1988 amendment to Section 1391(c), which changed the statute's stated

sphere of applicability from "for venue purposes" to "[f]or purposes of venue under this chapter." *VE Holding Corp.* v. *Johnson Gas Appliance Co.*, 917 F.2d 1574, 1579 (Fed. Cir. 1990). The court of appeals believed this minor modification—enacted without any suggestion that a substantive effect was intended—rendered *Fourco*'s analysis of the Congress's venue statutes irrelevant and authorized that court to decide the meaning of the statute "as a matter of first impression"—which the court did, the opposite way as *Fourco*. *Ibid.*

In 2011, however, Congress amended Section 1391(c) again, restoring the pertinent language to much the same as existed when *Fourco* was decided: "for all venue purposes." Congress further clarified that Section 1391 applies "[e]xcept as otherwise provided by law." 28 U.S.C. § 1391(a). Thus, whether *VE Holding* was correct or not, Section 1391(c) now has been returned to substantially the same language as existed when *Fourco* was decided. There accordingly should be no doubt that *Fourco*'s construction of Congress's venue statutes remains the law today.

C. Under this Court's principles of *stare decisis*, *Fourco should* remain the law. Far from presenting any "special justification" for overturning *Fourco*, changes in the decades since the decision issued have confirmed that its rule remains correct. *See Kimble* v. *Marvel Entm't, LLC*, 135 S. Ct. 2401, 2409 (2015).

II. The Federal Circuit's neglect of *Fourco* has had the fateful consequence of opening the doors of virtually every district court in the nation to infringe-

ment suits against virtually every company. The rampant and unseemly forum shopping that has followed imposes outsized costs on innovation.

A. Section 1391(c) allows the exercise of venue over a corporate defendant up to the very limits of the Due Process Clause. Reading that provision into Section 1400(b) has given patent plaintiffs a dinner menu from which they may select nearly any venue in the country to sue nearly any practicing company that sells its wares nationwide. Non-productive paper entities, known as "patent trolls," have taken full advantage of this opportunity to select the court that will hear their cases. Unsurprisingly, trolls have concentrated their suits in districts that accord them procedural and substantive advantages. Motions to transfer "[f]or the convenience of parties and witnesses, in the interest of justice" under 28 U.S.C. § 1404(a) have not cured this problem.

B. Such entrenched forum shopping contributes to many of the evils of modern patent litigation. Patent trolls select districts that are less likely to terminate litigation before trial. Not only are dispositive pre-trial motions generally unsuccessful in these forums; typically, a defendant must engage in time-consuming and expensive discovery—often including depositions of key engineers that distract them from critical functions within their company—during the pendency of the motion. The threat of facing these burdens, even when the litigation clearly lacks merit, often compels defendants to settle. Forum shopping thus hampers innovation, generates erroneous results, and undermines respect for the rule of law. Reaffirming *Fourco* would alleviate these ills and restore

the balance of convenience and fair play among patent litigants struck by Congress.

ARGUMENT

I. THE DECISION BELOW DIRECTLY CONFLICTS WITH THIS COURT'S SETTLED INTERPRETATION OF THE PATENT VENUE STATUTE.

Ever since Congress, in the late nineteenth century, passed a restrictive patent venue statute to curb forum shopping and its attendant abuses, this Court consistently has held that a defendant corporation may not be sued in a venue where it is not incorporated if it has no regular and established place of business in that district. The Court repeatedly has explained that "where the defendant resides" (and its synonyms), as used in the special patent venue statute, means only a corporation's place of incorporation. This Court has hewed to this settled interpretation even in view of Congressional rewordings of the patent venue statute and in view of the existence of a general venue statute, 28 U.S.C. § 1391(c), which purports to apply for venue purposes generally.

Despite this settled interpretation, in 1990, the Federal Circuit jettisoned this Court's precedent based on a minor change in Section 1391(c)'s statement of its applicability. Whether the Federal Circuit's view was ever correct, which is highly dubious, in 2011, Congress again amended Section 1391, repealing the changes that undergirded the Federal Circuit's reasoning. The pertinent language is now materially identical to the language in effect when this Court last considered the proper scope of Section

1400(b) in *Fourco*. The Federal Circuit's holding below—relegating Section 1400(b) to insignificance—directly conflicts with this Court's precedent. This Court should grant certiorari and reverse, and thereby restore the balance that Congress struck in prescribing the appropriate venues for patent infringement cases, recognized by this Court in *Fourco*.

A. This Court Conclusively Interpreted The Patent Venue Statute In *Fourco*.

As recounted more fully in the Petition (at 9-11), in 1897, Congress passed a special patent venue statute designed as "a restrictive measure" to "limit[] a prior, broader venue" and to "define the exact limits of venue in patent infringement suits." *Stonite Prods. Co.* v. *Melvin Lloyd Co.*, 315 U.S. 561, 566 (1942). As that 1897 Act's primary sponsor noted, its "main purpose" was to restrict patent venue to districts where a defendant had "established" a "permanent agency," as opposed to anywhere where "[i]solated cases of infringement" had occurred. 29 Cong. Rec. 1900 (daily ed. Feb. 16, 1897) (statement of Rep. Lacey); *see* Pet. 11.

In *Stonite*, this Court held that Section 48 of the Judicial Code, derived from the 1897 Act, was "the exclusive provision controlling venue in patent infringement proceedings" and is not "supplemented by § 52 of the Judicial Code," a general venue provision. 315 U.S. at 561-63. In 1948, Congress re-codified Section 48 as 28 U.S.C. § 1400(b), with some immaterial word changes. *See Fourco Glass Co.* v. *Transmirra Prods. Corp.*, 353 U.S. 222, 225-26 (1957).

Then, in *Fourco*, the Court held that Section 1400(b), like its predecessor, stands alone. 353 U.S.

at 229. The Court overruled the Second Circuit, which had held that Section 1400(b) should be read in light of a new provision, 28 U.S.C. § 1391(c), which the court of appeals had viewed as "defin[ing] ... corporate residence" in all venue provisions. *Fourco*, 353 U.S. at 223-24 (citation omitted); *see* Pet. 12-13. Section 1391(c) stated that "any judicial district in which [a corporation] is incorporated or licensed to do business or is doing business ... shall be regarded as the residence of such corporation for venue purposes." *Fourco*, 353 U.S. at 223. The Court held that this section did not apply to patent venue. *Id.* at 228. However "clear and generally embracive" Section 1391(c) is, Section 1400(b) is "equally clear." *Ibid.* Ultimately, Section 1391(c) "is a general corporation venue statute" which does not affect the "special venue statute," Section 1400(b). *Ibid.* Section 1400(b) "is complete, independent and alone controlling." *Ibid.*

Fourco thus reaffirmed *Stonite*'s holding that the special patent venue statute stands on its own and is not to be read in light of any definition in the general venue statute. *Fourco*, 353 U.S. at 223-24, 228-29. The Court reaffirmed *Stonite* because Congress's later re-codifications and revisions to the patent venue statute were not "substantive." *Id.* at 225-28. Thus, *Fourco* "h[e]ld that 28 U.S.C. § 1400(b) is the sole and exclusive provision controlling venue in patent infringement actions, and that it is not to be supplemented by the provisions of 28 U.S.C. § 1391(c)." *Id.* at 229. The same logic remains true today.

Under *Fourco*'s stand-alone interpretation of Section 1400(b), a corporation is resident in "the state of

incorporation only." *Fourco*, 353 U.S. at 226. That is how corporate residence was understood when the patent venue statute was enacted, and Congress has not amended that definition (as it did for actions arising under different laws). *Ibid.* (citing *Shaw* v. *Quincy Mining Co.*, 145 U.S. 444, 449 (1892)). Patent-infringement lawsuits may therefore be brought only where the defendant is incorporated "or where the defendant has committed acts of infringement and has a regular and established place of business." 28 U.S.C. § 1400(b); *Fourco*, 353 U.S. at 223.

B. The Federal Circuit Departed From This Court's Interpretation Based On A Non-Substantive Linguistic Change That, In Any Event, Congress Has Since Repealed.

This Court's word remained the law of patent venue until 1990, when the Federal Circuit found *Fourco* no longer to be controlling. *See VE Holding Corp.* v. *Johnson Gas Appliance Co.*, 917 F.2d 1574, 1579 (Fed. Cir. 1990). The court of appeals concluded that a 1988 revision to Section 1391(c), which had changed "for venue purposes" to "[f]or purposes of venue under this chapter," required that court to reexamine the interplay of Section 1391(c) and Section 1400(b) "as a matter of first impression." *Ibid.*

The Federal Circuit reasoned that the statutory language interpreted in *Fourco* was "nonspecific," and that "Section 1391(c) as it was in *Fourco* is no longer." *VE Holding*, 917 F.2d at 1579. Believing the interpretative slate to be blank, the court of appeals wrote that "Section 1391(c) applies to all of chapter 87 of title 28,

and thus to § 1400(b), as expressed by the words 'For purposes of venue under this chapter.'" *Id.* at 1580.

Whether or not *VE Holding*'s reasoning was correct when it was decided—and it likely was not (*see* Pet. 3-4, 24-25)—in 2011, Congress revised Section 1391(c) again to make it materially identical to the version this Court already had interpreted in *Fourco*. *See* Pet. App. 4a-5a. The version of Section 1391(c) in effect when *Fourco* was decided stated that its corporate residency provisions applied "for venue purposes." 353 U.S. at 323. The version in effect since 2011 says "[f]or all venue purposes." Pet. App. 5a. This language is the same except for the addition of "all." Here, "the word[s] '[venue purposes]' ha[ve] no different meaning and can be ascribed no different function in the context of § [1391(c)] than would the words 'all [venue purposes].'" *Train* v. *City of New York*, 420 U.S. 35, 44 (1975). Both are equally "non-specific"; in context, they mean the same thing. *VE Holding*, 917 F.2d at 1579. Gone are the words "under this chapter" that *VE Holding* held to be the "exact and classic language of incorporation" and thus dispositive. *Ibid.*; *see also* Pet. 6.

Therefore, because there is "no substantive change" from the language this Court interpreted in *Fourco*, *Fourco* is still controlling. 353 U.S. at 228. Indeed, that was the very reason *Fourco* gave for reaffirming *Stonite*: Even though the language of the statute had altered, these revisions did not on net effect a "substantive change" in the statute. *Ibid.*; *see also* Pet. 11-13.

If anything, the revisions to Section 1391 since *Fourco*—there have been no revisions to Section

1400(b)—confirm *Fourco*'s holding that Section 1391's general provisions defining corporate residence do *not* apply to Section 1400(b). The 2011 amendment to Section 1391 not only deleted the change that *VE Holding* held dispositive (917 F.2d at 1579); it also added affirmative language explicitly providing that Section 1391 applies "*[e]xcept* as otherwise provided by law" (28 U.S.C. § 1391(a) (emphasis added)). Because Section 1400(b), as interpreted by this Court, is a different provision of law, providing "otherwise" than the general corporate residency provisions of Section 1391(c), Section 1400(b)—and not Section 1391(c)—governs, just as it did in *Fourco*. *Fourco* remains the law. *See* Pet. 26-27.

C. This Court's Interpretation Of Patent Venue Warrants *Stare Decisis* Treatment.

That *Fourco* is still the law is reason enough that the Federal Circuit was compelled to decide this case differently. As the Petition explains, the court of appeals was bound to "follow" *Fourco* unless and until this Court overturns it. Pet. 14 (citation omitted). Yet the Federal Circuit now effectively has reversed *Fourco*, enforcing the opposite of its holding in all cases "arising under" the patent laws. 28 U.S.C. § 1295(a)(1).

This Court should grant certiorari to correct the Federal Circuit's error, and reaffirm *Fourco*. *Fourco* warrants *stare decisis* treatment.

"*[S]tare decisis* in respect to statutory interpretation has 'special force.'" *John R. Sand & Gravel Co.* v. *United States*, 552 U.S. 130, 139 (2008). "Then, unlike in a constitutional case, critics of our ruling can take

their objections across the street, and Congress can correct any mistake it sees." *Kimble* v. *Marvel Entm't, LLC*, 135 S. Ct. 2401, 2409 (2015). "All" of this Court's "interpretive decisions, in whatever way reasoned, effectively become part of the statutory scheme." *Ibid.* So a "special justification" is necessary to overrule *Fourco*. *Ibid.* If it "has not been undermined by subsequent changes or development in the law," it should be followed. *See Patterson* v. *McLean Credit Union*, 491 U.S. 164, 173 (1989).

Far from being undermined, *Fourco* was correctly decided and remains correct today. The patent venue statute permits suit "in *the* judicial district where the defendant resides." 28 U.S.C. § 1400(b) (emphasis added). *The* judicial district where a defendant resides is the place where it is incorporated. *Brunette Mach. Works, Ltd.* v. *Kockum Indus., Inc.*, 406 U.S. 706, 707 n.2 (1972); *see also* Pet. 23. As this Court reaffirmed in the years since *Fourco*, this result "is not affected by § 1391(c), which expands for general venue purposes the definition of the residence of a corporation," because "Congress placed patent infringement cases in a class by themselves, outside the scope of general venue legislation." *Brunette*, 406 U.S. at 711-13. Congress had ample opportunity to revise or eliminate Section 1400(b), but—as explained in Section I.B, *supra*—it has declined to do so, instead confirming that Section 1391(c) does not apply.

In addition, as the petition explains, only this Court's interpretation of the patent venue statute can be squared with other statutory provisions. The Federal Circuit's reading would define "residency" differently for venue purposes (in Section 1400(b)) than for service of process (in 28 U.S.C. § 1694). *See* Pet. 25,

29-30. And it would render nugatory Section 18(c) of the Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284, 331 (2011), which provides that an automatic teller machine is not "a regular and established place of business." If a company's *residency* could be established by locating allegedly infringing ATMs in a district, as the Federal Circuit would have it, then this provision would be without force. *See* Pet. 28-29.

In short, there is no reason to think that Congress has overruled *Fourco*, and much reason to think that Congress has instead acted as if it is "part of the statutory scheme." *Kimble*, 135 S. Ct. at 2409. This Court should reverse the decision below and reaffirm that *Fourco* is still the law.

II. THE UNSEEMLY ABUSE OF THE FEDERAL CIRCUIT'S PATENT VENUE RULE COMPELS THE COURT'S INTERVENTION.

Without this Court's review, the Federal Circuit has let go of the reins that Congress placed on patent venue over a century ago. Since 1990, patent plaintiffs have had their choice to sue in any of the country's 94 district courts, without meaningful limit. The consequences have been dreadful: As numerous scholars, inventors, and producers have long noted, unscrupulous patentees have taken full advantage of their ability to dictate the rules, norms, and judges that will govern the litigation they bring. Non-practicing entities, in particular, have chosen to litigate in districts that accord their allegations favorable treatment, in both procedure and substance.

This forum shopping is transforming patents from tools to encourage innovation into weapons with

which to threaten productive companies. Today, successful innovators who contribute their wares to the market often are rewarded with lawsuits alleging infringement of weak patents filed in courts that will all but guarantee a trial. Fight or settle, the innovative company faces a hefty bill, a drag on its engineers' time and focus, and the risks of legal uncertainty. Thanks in large part to forum shopping, patent litigation is now a significant cost of, and deterrent to, innovation.

A. The Federal Circuit's Loose Venue Standard Has Generated Rampant And Unseemly Forum Shopping.

The Federal Circuit's 1990 decision in *VE Holding* did not merely misinterpret the patent venue statute. It also removed the bulwark against forum shopping that had been in place for the prior century. *VE Holding* has enabled non-practicing entities to file suit virtually anywhere in the country.

VE Holding held that Section 1391(c) governs venue in patent cases. 917 F.2d at 1579-84; *accord* Pet. App. 4a. That section provides that a corporation or other legal entity may be sued wherever it is "subject to the court's personal jurisdiction." 28 U.S.C. § 1391(c)(2); *see also VE Holding*, 917 F.2d at 1578, 1584. Subsequent decisions of the Federal Circuit have deemed nearly any location where infringement occurs sufficient for "personal jurisdiction"—and thus also sufficient to satisfy Section 1391(c)(2). Under Federal Circuit law, "purposefully shipp[ing] the accused [product] into [the forum] through an established distribution channel" may be enough to subject a defendant otherwise unconnected with the forum to

suit there. *Beverly Hills Fan Co.* v. *Royal Sovereign Corp.*, 21 F.3d 1558, 1565 (Fed. Cir. 1994).

As now-Judge (and author of the decision below), then-Professor, Kimberly Moore explained, these "liberalizations of the jurisdiction and venue statutes, combined with the technological feasibility and ease of national commerce, have greatly expanded the plaintiff's choice of forum, which in turn has intensified and facilitated forum shopping. This means that national corporations may be sued in virtually any U.S. district court." Kimberly A. Moore, *Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation?*, 79 N.C. L. Rev. 889, 897 (2001); *see also* Pet. 18 & n.7.

The expansive reach of patent venue is an especially large problem for technology companies, whose products and services—which increasingly are sold online or are themselves online—are available nationwide. "Companies that offer products nationally are likely to be subject to the personal jurisdiction of a large number of U.S. district courts, if not all ninety-four." Jonas Anderson, *Congress as a Catalyst of Patent Reform at the Federal Circuit*, 63 Am. U. L. Rev. 961, 986 (2014) ("Anderson 2014"). Amicus Dell's experience is a case-in-point. Dell Inc. is incorporated in Delaware, with its headquarters in Round Rock, Texas, in the Western District of Texas. In the last ten years, it has been sued for patent infringement in those forums, combined, 57 times. By contrast, Dell has been sued for patent infringement in the Eastern District of Texas, alone, 150 times. Similarly, EMC has been sued for patent infringement in its home forum of Massachusetts just twice in the last ten years, compared with sixteen suits in the Eastern District of

Texas. This disparity is a direct result of the Federal Circuit's expansion of the patent venue statute.

Many of those suits in inconvenient venues are brought by "patent trolls." Technology companies like amicus are especially likely to find themselves the target of trolls armed with weak but broad and vague patents. "Software patents may account for over ninety percent of troll[s'] most-litigated patents." Debra Brubaker Burns, *Titans and Trolls Enter the Open-Source Arena*, 5 Hastings Sci. & Tech. L.J. 33, 65 (2013). Technology startups, too, have become targets of patent trolls—largely because patent litigation can be disproportionately disruptive to such nascent firms. *See* Colleen Chien, *Startups and Patent Trolls*, 17 Stan. Tech. L. Rev. 461, 464, 472-78 (2014). In the technology industry especially, demands and lawsuits from patent trolls "unsettle the operation of small companies," including by impacting their funding. Garry A. Gabison, *Spotting Software Innovation in A Patent Assertion Entity World*, 8 Hastings Sci. & Tech. L.J. 99, 135 (2016).

This Court has recognized that patent "[t]rolls," which "are entities that hold patents for the primary purpose of enforcing them against alleged infringers," harm the patent system by "exacting outsized licensing fees on threat of litigation." *Halo Elecs., Inc.* v. *Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1935 (2016). The Court has responded to the "seriousness" of this problem (*ibid.*) with decisions that empower district courts with tools to minimize such harm. *E.g.*, *Octane Fitness, LLC* v. *ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1756 (2014). The Executive Office of the President too has warned that, "[e]ven if patent assertion entities do not prevail in the courtroom, their actions

can significantly reduce incremental innovation while litigation is ongoing, a situation that can persist for years." Executive Office of the President, *Patent Assertion and U.S. Innovation* 10 (2013), http://www.whitehouse.gov/sites/default/files/docs/patent_report.pdf; *accord*, *e.g.*, James Bessen et al., *The Private and Social Costs of Patent Trolls,* 34 Regulation, Winter 2011-2012, at 26.

Such unscrupulous "plaintiffs frequently attempt to capitalize on their virtually unencumbered choice of venue to shop for the best district courts to file their suits. This environment has destabilized the patent system." Kevin A. Meehan, *Shopping for Expedient, Inexpensive & Predictable Patent Litigation*, 2008 B.C. Intell. Prop. & Tech. F. 102901, 102901. Plaintiffs have used their virtually boundless choice of forum to concentrate lawsuits in a few inconvenient courts. Last year, over 40% of all lawsuits alleging patent infringement were filed in the Eastern District of Texas—a venue with few people and little connection to the technology industry (beyond patent lawsuits). *See* Pet. 5. Commentators have recognized that the Federal Circuit's "permissive" interpretation of the "patent venue provision" is partially responsible for this imbalance. Anderson 2014, *supra*, at 985.

That district is, in particular, the chosen forum for the worst patent-infringement lawsuits—patent trolls asserting broad and vague patents on ideas for software. *See* EFF CAFC Br. 4-5; Joe Mullin, *Trolls Made 2015 One of the Biggest Years Ever for Patent Lawsuits*, ArsTechnica (Jan. 5, 2016), http://arstechnica.com/tech-policy/2016/01/despite-law-changes-2015-saw-a-heap-of-patent-troll-lawsuits. In 2015, one of the most active years of patent litigation, over

two-thirds of cases were filed by non-practicing entities—and those non-practicing entities chose the Eastern District of Texas for over 60% of their targets. *See* RPX, *2015 NPE Activity Highlights* 4-5, 9 (2016), http://www.rpxcorp.com/wp-content/uploads/sites/2/2016/01/RPX-2015-NPE-Activity-Highlights-FinalZ.pdf. The District of Delaware stands at number two. *See id.* at 9; Pet. 5.

These courts are "almost always inconvenient," and far from the locus of the infringing activity. Daniel Klerman & Greg Reilly, *Forum Selling*, 89 S. Cal. L. Rev. 241, 260 (2016). For example, the Eastern District of Texas is remote from most technology companies and population centers; thus, many witnesses are "unnecessarily inconvenienced by having to travel away from home to testify in the Eastern District of Texas." *In re Genentech, Inc.*, 566 F.3d 1338, 1344 (Fed. Cir. 2009). Indeed, even though amicus Dell is headquartered in Texas, the frequent suits it faces in Marshall, Texas, "300 miles from" its headquarters, are highly inconvenient; the overwhelming majority of the witnesses and sources of proof are outside the Eastern District. *See In re Acer Am. Corp.*, 626 F.3d 1252, 1254-56 (Fed. Cir. 2010).

Yet trolls devise vulpine strategies to defeat motions to transfer brought under 28 U.S.C. § 1404(a)—and choose courts that are likely to bless their strategies. Klerman & Reilly, *supra*, at 260-63. For example, a patent troll "transported copies of its patent prosecution files" into East "Texas office space" and successfully argued to the Eastern District of Texas that the suit should remain in that court rather than moving to a court where the defendant, with its nu-

merous employees and witnesses, maintained its principal place of business. *In re Zimmer Holdings, Inc.*, 609 F.3d 1378, 1381-82 (Fed. Cir. 2010).

When a court denies transfer, defendants' only recourse is mandamus, which requires showing that the district court clearly abused its discretion in applying a multifactor test. *See In re TS Tech USA Corp.*, 551 F.3d 1315, 1318-19 (Fed. Cir. 2008). This "even higher burden" than ordinary review of discretionary district court decisions (*id.* at 1319) makes it difficult for the court of appeals to correct even blatant errors. Yet the Federal Circuit has discovered many cases that meet this threshold. Since *TS Tech*, it has begun rectifying a handful of the most egregious transfer denials. *See* Klerman & Reilly, *supra*, at 260-61; *see also*, *e.g.*, Pet. 22-23; EFF CAFC Br. 9-10. Indeed, it has granted mandamus to order transfer 17 times since *TS Tech*, while all other courts of appeals have done so only 5 times *combined*. That is so even though the Federal Circuit applies the same law as those regional circuits. *See TS Tech*, 551 F.3d at 1319. The Federal Circuit has needed to resort to mandamus so often because patent cases are filed in manifestly inconvenient venues more frequently than other cases.

Still, "serial patent litigants, such as non-practicing entities and their counsel" have persisted in their "manipulation of venue" via tricks that have enabled them to avoid mandamus. Paul R. Gugliuzza, *The New Federal Circuit Mandamus*, 45 Ind. L. Rev. 343, 388 (2012). Thus, patent trolls have been able to select the district of their choice for their lawsuits—even though their suits have "no connection whatsoever to the district" (Klerman & Reilly, *supra*, at 261-63)—

and remain fairly assured that their choice of a plaintiff-friendly forum will stick.

B. Forum Shopping Is The Root Of Many Problems In Patent Law.

Patent plaintiffs choose one or two districts in which to sue because those districts favor them. *See* EFF CAFC Br. 4-6. These courts sometimes "requir[e] parties to submit briefs to seek permission to file summary judgment motions" or simply maintain "a norm shared by the district's judges to grant summary judgment motions rarely." J. Jonas Anderson, *Court Competition for Patent Cases*, 163 U. Pa. L. Rev. 631, 655, 674-75 (2015) ("Anderson 2015").

Nearly a decade ago, commentators already recognized that "some districts appear to be competing for patent litigation" by adopting practices favorable to patent asserters. Meehan, *supra*, at *4-5. The competition has exacerbated in recent years. Unsurprisingly, patent trolls select districts that deny summary judgment at much greater rates than the national average. Klerman & Reilly, *supra*, at 253. Trolls' favored courts also place procedural impediments to both motions to dismiss and motions for summary judgment. *Id.* at 253 & n.48. These courts find themselves reversed at higher rates. *Id.* at 280; Teresa Lii, *Shopping for Reversals: How Accuracy Differs Across Patent Litigation Forums*, 12 Chi.-Kent J. Intell. Prop. 31, 43-45 (2013). Simply put, patent trolls select courts that are less likely to follow Rules 12 and 56, at least when handling a patent case.

Such courts will also refuse to stay the case pending dispositive motions (such as motions to dismiss) while ordering expensive discovery and proceeding

with other onerous briefing (such as claim construction). Klerman & Reilly, *supra*, at 263-65, 268-70. A defendant faced with these hefty burdens of litigation—even if its case should have been dismissed at the outset—often will elect to settle rather than fight.

The incentive to settle is especially strong given the outsized damages awards patent defendants are subject to in plaintiff-friendly courts. *See* Anderson 2015, *supra*, at 653; Yan Leychkis, *Of Fire Ants and Claim Construction: An Empirical Study of the Meteoric Rise of the Eastern District of Texas as a Preeminent Forum for Patent Litigation*, 9 Yale J. L. & Tech. 193, 211-12 (2007) (collecting examples). Such courts dominate the list of largest patent verdicts:

Year	Plaintiff	Defendant	Technology	Award (in $M)	Court
2009	Centocor Ortho Biotech Inc.	Abbott Laboratories	Arthritis drugs	$1,673	E.D. Tex.
2007	Lucent Technologies	Microsoft Corporation	MP3 technology	$1,538	S.D. Cal.
2012	Carnegie Mellon University	Marvell Technology Group	Noise reduction on circuits for disk drives	$1,169	W.D. Penn.
2012	Apple Inc.	Samsung Electronics Co.	Smartphone software	$1,049	N.D. Cal.
2016	VirnetX Inc.	Apple Inc.	Smartphone software	$625	E.D. Tex.
2005	Cordis Corp.	Medtronic Vascular	Vascular stents	$595	D. Del.
2015	Smartflash LLC	Apple Inc.	Media storage	$533	E.D. Tex.

2004	Eolas Technologies Inc.	Microsoft Corp.	Internet browser	$521	N.D. Ill.
2011	Bruce N. Saffran, M.D.	Johnson & Johnson	Drug-eluting stents	$482	E.D. Tex.

Today, district courts may, at "their discretion," multiply these damages. *Halo*, 136 S. Ct. at 1934. The potential for even larger verdicts now looms over defendants.

Thus, even where the asserted patents are weak, patent trolls can expect to extract significant rents from productive companies by bringing or threatening lawsuits in favorable districts. *See* Acushnet CAFC Br. 10; Anderson 2015, *supra*, at 655-56. The result is a significant tax on innovation—the opposite of the goal of the patent system. *See* Executive Office of the President, *supra*, at 6, 9-12. As a direct consequence of this tax and the "waste[] [of] resources" attendant to "increasing litigation costs," forum shopping "decrease[s] innovation" by chilling competitors, who will "systematically over-comply with the scope of the patent holder's exclusive right, consistently expanding the property right beyond what was intended when the patent was granted." Moore, *supra*, at 924-30; *see also* Pet. 19-22 & nn.8-14.

Beyond coercing unjust settlements, forum shopping generates other pernicious consequences. "Forum shopping confounds and complicates litigation by selectively creating pockets of district courts that apply the law in a nonuniform manner," worsening "the problem that patent suits already face of accurate application of the law." Lii, *supra*, at 39. These courts are "more inaccurate at applying patent law than other districts." *Id.* at 45.

Subjecting more cases to less accurate results is reason enough to discourage forum shopping. Further, accuracy aside, the "unpredictability and inconsistency in the application of the law among the district courts" that follows from courts' disparate willingness to grant dispositive motions against patentees is a problem of its own. Moore, *supra*, at 924. "This instability erodes public confidence in the law and its enforcement and creates doubt about the fairness of the system." *Ibid.*

No radical reform is needed to alleviate these ill effects of forum shopping. This Court need only return the standard for patent venue to the one Congress enacted, and this Court has enforced, for over a century.

CONCLUSION

The Court should grant the petition for certiorari and reverse the decision below.

Respectfully submitted.

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RECORD AND BRIEF

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IN THE

Supreme Court of the United States

TC HEARTLAND, LLC D/B/A
HEARTLAND FOOD PRODUCTS GROUP,

Petitioner,

v.

KRAFT FOODS GROUP BRANDS LLC,

Respondent.

ON PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF OF THE ELECTRONIC FRONTIER FOUNDATION AND PUBLIC KNOWLEDGE AS *AMICI CURIAE* IN SUPPORT OF THE PETITION

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QUESTION PRESENTED

Fourco Glass Co. v. Transmirra Products Corp. held that 28 U.S.C. § 1400(b) "is the sole and exclusive provision controlling venue in patent infringement actions, and . . . it is not to be supplemented by the provisions of 28 U.S.C. § 1391(c)." 353 U.S. 222, 229 (1957).

In 1988, Congress enacted a bundle of twenty-three "miscellaneous provisions" that included an amendment to § 1391—but not § 1400. Nevertheless, the Federal Circuit subsequently held that the amendment effected an overruling of *Fourco*, such that "§ 1391(c) is to supplement § 1400(b)." *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1580 (Fed. Cir. 1990).

The question presented is:

Did the Federal Circuit err in holding *Fourco* overruled by statute, such that § 1400(b) was no longer the sole and exclusive provision controlling venue in patent infringement actions?

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INTEREST OF *AMICI CURIAE*

The Electronic Frontier Foundation[1] ("EFF") is a nonprofit civil liberties organization that has worked for over 25 years to protect consumer interests, innovation, and free expression in the digital world. EFF and its more than 26,000 dues-paying members have a strong interest in helping the courts ensure that intellectual property law serves the public interest.

Public Knowledge is a non-profit organization that is dedicated to preserving the openness of the Internet and the public's access to knowledge, promoting creativity through balanced intellectual property rights, and upholding and protecting the rights of consumers to use innovative technology lawfully. Public Knowledge advocates on behalf of the public interest for a balanced patent system, particularly with respect to new and emerging technologies.

The Electronic Frontier Foundation and Public Knowledge have previously served as *amici* in patent cases. *E.g.*, *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923 (2016); *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347 (2014); *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120 (2014); *Octane Fitness, LLC v. Icon Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014).

[1]Pursuant to Supreme Court Rule 37.2(a), all parties received appropriate notice of and consented to the filing of this brief. Pursuant to Rule 37.6, no counsel for a party authored this brief in whole or in part, and no counsel or party made a monetary contribution intended to fund the preparation or submission of the brief. No person or entity, other than *amici*, their members, or their counsel, made a monetary contribution to the preparation or submission of this brief.

SUMMARY OF ARGUMENT

The federal district courts have a purpose, expressed in their very first Rule of Civil Procedure, "to secure the just, speedy, and inexpensive determination of every action and proceeding." Yet in one area those district courts are forced to fail at this mission: in the choice of forum in patent litigation. They are forced to fail by a misreading of the statute for venue in patent cases. Correction of that misreading, which is the issue of this case, is an important issue that requires this Court's review.

Venue law has long sought to promote fairness and justice to litigants by ensuring limits on the courts before which a defendant may be haled. Patent cases have, for an almost equally long time, presented a special case requiring a special statutory limitation on venue. This Court has consistently found special limits on patent venue proper. Yet the Federal Circuit in *VE Holding Corp. v. Johnson Gas Appliance Co.*, in reversing course and opening up practically nationwide venue in patent cases, ignored not only this consistent line of law but also the basic notions of fairness that underlie the venue doctrine itself.

The error of *VE Holding* is exacerbated by the lack of any other jurisprudential vehicle for protecting that requisite fairness in judicial forum selection. Traditionally, personal jurisdiction and declaratory judgment actions serve in tandem with venue to counterbalance a plaintiff's choice of forum in a lawsuit. But Federal Circuit cases sharply limit the effectiveness of both personal jurisdiction and declaratory judgments in curtailing patent plaintiffs' choice of forum. Thus, venue law is especially important in maintaining the guarantee of fairness that the federal judiciary promises to all parties before it.

As a practical matter, unbridled venue under *VE Holding* has led to a remarkable situation of forum shopping in patent cases. Even more remarkably, evidence suggests that this arrangement may be drawing courts into competition to *attract* patent owners—the ones with unilateral choice over forum—by adopting practices and procedures favorable to patent owners. And evidence suggests that this forum shopping has tangible, substantive effects on outcomes, a result contrary to principles of law and contrary to the very existence of the Court of Appeals for the Federal Circuit, an institution designed to eliminate a perceived problem with forum shopping for favorable substantive patent law.[2]

VE Holding held that a minor, little noticed "miscellaneous" amendment to the general venue statute 28 U.S.C. § 1391 controlled over the patent-specific venue statute 28 U.S.C. § 1400 Congress enacted decades earlier. In doing so, *VE Holding* took a small, inconsequential change and dramatically shifted the balance Congress had carefully crafted. It was incorrectly decided, and it is creating ongoing and increasing problems for the contemporary patent system. This Court should grant certiorari, overrule *VE Holding* and the decision below, and hold, once again, that § 1400 is the exclusive venue statute for patent cases.

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[2] *See* Charles W. Adams, *The Court of Appeals for the Federal Circuit: More than a National Patent Court*, 49 Mo. L. Rev. 43, 57 (1984).

ARGUMENT

I. PREVAILING PATENT VENUE LAW IS FUNDAMENTALLY UNFAIR AND CONTRARY TO BASIC PRINCIPLES OF THE FEDERAL JUDICIAL SYSTEM

The importance of the error of *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990), is made strikingly apparent in view of one of venue law's key purposes, namely to ensure fairness in choice of forum. Returning the patent venue statute to a position of greater fairness is a matter of special importance, not just to litigants but also to the federal judicial system overall, a matter warranting review on certiorari.

A. VENUE IS PREMISED ON FAIRNESS TO LITIGANTS, ESPECIALLY DEFENDANTS

The fundamental policy underlying venue is fairness to both sides of a civil suit. As this Court has said, "venue is primarily a matter of convenience of litigants and witnesses." *Denver & Rio Grande W.R.R. Co. v. Bhd. of R.R. Trainmen*, 387 U.S. 556, 560 (1967); *see also Neirbo Co. v. Bethlehem Shipbuilding Corp.*, 308 U.S. 165, 167–68 (1939). "Venue rules traditionally have served to ensure that proceedings are held in the most convenient forum." Cass R. Sunstein, *Participation, Public Law, and Venue Reform*, 49 U. Chi. L. Rev. 976, 980 (1982).

Venue law is especially concerned with protecting defendants from lawsuits in unfair places. "In most instances, the purpose of statutorily specified venue is to protect the *defendant* against the risk that a plaintiff will select an unfair or inconvenient place of trial." *Leroy v. Great W. United Corp.*, 443 U.S. 173, 183–84 (1979) (cit-

ing, e.g., *Braden v. 30th Judicial Circuit Court*, 410 U.S. 484, 493–94 (1973)); *see also Reuben H. Donnelley Corp. v. FTC*, 580 F.2d 264, 269 (7th Cir. 1978) ("Historically, venue has been geared primarily to the convenience of the defendant . . . .").

These concerns of fairness for defendants have motivated jurisprudence on patent venue. In *Stonite Products Co. v. Melvin Lloyd Co.* it was noted that the original Judiciary Act had a permissive venue provision "allowing suit wherever the defendant could be found." 315 U.S. 561, 563 (1942) (citing Judiciary Act of 1789, ch. 20, § 11, 1 Stat. 73, 79; Jurisdiction and Removal Act of 1875, ch. 137, § 1, 18 Stat. 470, 470). In response to the "abuses engendered by this extensive venue," subsequent statutes repeatedly cut back on expansive venue until the Act of Mar. 3, 1897, which defined venue for patent suits. *See* ch. 395, 29 Stat. 695; *Stonite*, 315 U.S. at 563–66. That patent venue statute specifically "was a restrictive measure, limiting a prior, broader venue." *Stonite*, 315 U.S. at 566. *Stonite* thus reaffirms, in the specific patent context, the general principle that venue serves to protect defendants from plaintiffs' unbounded choice of court.

B. The Federal Circuit's *VE Holding* Decision Allows Patent Owners Nearly Unlimited Choice of Venue

Patent venue law in view of *VE Holding* entirely upended the principles of fairness and protection of defendants, by allowing patent plaintiffs in most cases to have unilateral choice of any district court in the nation.

For generations patent venue was exclusively controlled by a patent-specific statute, most recently 28 U.S.C. § 1400. This Court has long rejected any reading of

specific patent venue statutes that incorporated the provisions of other, more general venue statutes. *See Stonite*, 315 U.S. at 563; *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222, 229 (1957).

The 1988 amendments to 28 U.S.C. § 1391(c) made no indication that they affected *Stonite* or *Fourco*—indeed they left no indication that they affected § 1400 at all. Judicial Improvements and Access to Justice Act, Pub. L. No. 100-702, sec. 1013, 102 Stat. 4642, 4669 (1988).[3] Instead, the House report treated the changes to § 1391(c) as "miscellaneous amendments" regarding "relatively minor discrete proposals" to the venue statute. H.R. Rep. No. 100-889, at 66 (1988). Nevertheless, *VE Holding* extrapolated from these "relatively minor" amendments a sweeping change to venue law, abrogating this Court's precedents and changing the meaning of § 1400 to incorporate for the first time § 1391(c).

The result of *VE Holding* is anything but "relatively minor." One commentator at the time described the holding "dramatically alter[ing] longstanding common and statutory law" that had long been advocated for by a "vocal group," yet consistently rejected by the Supreme Court. John A. Laco, *Venue in Patent Infringement Actions:* Johnson Gas *Fouls the Air*, 25 Loy. L.A. L. Rev. 1107, 1107, 1117–18 (1992). As a result of *VE Holding*, a patent owner may sue an accused corporate infringer wherever personal jurisdiction exists. *See VE Holding*,

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[3] If anything, the amendments seem to have been intended to condense the scope of corporate venue, not expand it. *See* H.R. Rep. No. 100-889, at 70 (1988) (finding it improper that "a corporation that confines its activities to Los Angeles (Central California) should not be required to defend in San Francisco (Northern California)"). *VE Holding*'s conclusion that the amendments expanded patent venue is especially curious in view of Congress's apparently opposite intent.

917 F.2d at 1583. As discussed below, for many patent defendants this is practically no limit. Thus patent owners can select the most desirable forum for their purposes; as then-Professor (now Federal Circuit judge) Kimberly Moore wrote, "Anything Goes." Kimberly A. Moore, *Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation?*, 79 N.C. L. Rev. 889, 894 (2001).

The decision in *VE Holding* runs directly contrary to these longstanding Congressional and Supreme Court policies surrounding venue, especially those concerned with fairness and convenience for patent defendants who currently may be haled before virtually any federal court in the land.[4] The harm of that error potentially reaches all facets of industry, rendering this issue an important one ripe for review.

C. There Is No Counterweight to This Substantial Boon to Patentees, Due to Other Federal Circuit Law

The importance of a correct venue standard is heightened because the other ordinary safeguards of fairness in choice of forum—personal jurisdiction and declaratory judgments—are ineffective in the patent context.

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[4]That corporations in non-patent suits may be subject to broad venue is no justification for patent defendants to be subject to the same. Patent venue has been a special case for over a century, *see Stonite*, 315 U.S. at 565–66, and several reasons justify that special treatment. For example, patent infringement can occur without any knowledge of a patent or its infringement. *See* 35 U.S.C. § 271(a). Thus there is a particular need to protect a defendant who is completely unaware that it may be violating patent rights. Additionally, personal jurisdiction often serves as a real limitation on choice of forum in non-patent cases, but it does not in patent cases. *See* Section I.C(1) *infra* p. 8.

1. Under current personal jurisdiction law of the Federal Circuit, a company that sells an allegedly infringing product nationally can generally be sued in any district in the nation, thus making venue proper in any district in the nation.

In *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, the Federal Circuit, although declining to specifically adopt a "stream-of-commerce" theory, held that personal jurisdiction was proper where "defendants, acting in consort, placed the accused fan in the stream of commerce, they knew the likely destination of the products, and their conduct and connections with the forum state were such that they should reasonably have anticipated being brought into court there." 21 F.3d 1558, 1566 (Fed. Cir. 1994). Subsequent cases have held that purposefully shipping an accused product into a forum state through an established distribution channel, with the expectation that the goods would be sold in that state, is sufficient for personal jurisdiction. *See, e.g., Nuance Commc'ns, Inc. v. Abbyy Software House*, 626 F.3d 1222, 1234 (Fed. Cir. 2010).

Indeed, the Federal Circuit held that the mere likelihood of future distribution was sufficient. In *Acorda Therapeutics Inc. v. Mylan Pharmaceuticals Inc.*, the Federal Circuit held that a patent defendant was subject to personal jurisdiction in Delaware by virtue of a drug approval application filed with the government. *See* 817 F.3d 755, 764 (Fed. Cir. 2016). While the defendant had never sold an allegedly infringing item in Delaware, the Federal Circuit found personal jurisdiction on the grounds that the drug approval application expressed intent to sell the drug nationally, and the defendant's *planned future conduct* gave rise to the requisite mini-

mum contacts in Delaware (and, by extension, every jurisdiction in the country). *See id.* at 762–63.

In sum, personal jurisdiction provides little limit on the courts before which a patent defendant may be brought, because current law regularly permits nationwide personal jurisdiction.

2. Declaratory judgments under 28 U.S.C. § 2201(a) might also counterbalance the ability of a patent owner to choose the forum of any litigation. Generally, the Declaratory Judgment Act allows an accused infringer in some circumstances to initiate legal proceedings first; encompassed in this ability is that the accused infringer "can preempt the venue choice of the plaintiff." J. Jonas Anderson, *Court Competition for Patent Cases*, 163 U. Pa. L. Rev. 631, 644 (2015); *see* Lisa A. Dolak, *Declaratory Judgment Jurisdiction in Patent Cases: Restoring the Balance Between the Patentee and the Accused Infringer*, 38 B.C. L. Rev. 903, 911 (1997).

Yet patent owners can manipulate the selection of judicial forum even with declaratory judgment cases. Many such cases are filed against patent assertion entities, firms that "use patents . . . primarily for obtaining licensing fees." *Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 1920, 1930 (2015) (quoting *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 396 (2006) (Kennedy, J., concurring)). Such entities have as their only business activity the sending of patent demand letters and the filing of patent infringement suits.

A declaratory action may be filed in a court with personal jurisdiction over the declaratory defendant (here, the patent assertion entity). Ordinarily, personal jurisdiction is a case-specific determination incorporating notions of "fair play and substantial justice." *Int'l Shoe Co. v.*

Washington, 326 U.S. 310, 316 (1945). But the Federal Circuit instead applies a bright-line rule that the sending of patent demand letters can never give rise to personal jurisdiction. *See Red Wing Shoe Co. v. Hockerson-Halberstadt, Inc.*, 148 F.3d 1355, 1360 (Fed. Cir. 1998); *see also Avocent Huntsville Corp. v. Aten Int'l Co.*, 552 F.3d 1324, 1333 (Fed. Cir. 2008); *Autogenomics, Inc. v. Oxford Gene Tech. Ltd.*, 566 F. 3d 1012, 1020 (Fed. Cir. 2009).

In other words, when a declaratory judgment suit is filed against a patent assertion entity, the only court with personal jurisdiction over that entity may very well be the court of the entity's place of incorporation. *See* Megan M. La Belle, *Patent Litigation, Personal Jurisdiction, and the Public Good*, 18 Geo. Mason L. Rev. 43, 71 (2010).

Unsurprisingly, then, patent assertion entities go to extraordinary lengths to force jurisdiction down the forum that they prefer (and that accused infringers avoid[5]). Some have even opened sham headquarters in "empty offices with telephone lines that no one answers" to manufacture facts that favor their jurisdiction of choice. Edgar Walters, *Tech Companies Fight Back Against Patent Lawsuits*, N.Y. Times, Jan. 23, 2014, at A23A, *available at* URL *supra* p. xi; *see also Network Prot. Scis., LLC v. Fortinet, Inc.*, No. 12-cv-1106, 2013 WL 4479336, at *7 (N.D. Cal. Aug. 20, 2013) (patent owner "manufactured venue in Texas via a sham").

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[5]One study found that declaratory action filers preferred the Northern and Central Districts of California, the District of Delaware, and the Northern District of Illinois received the most declaratory judgment actions, at 11.4%, 6.5%, 6.1%, and 4.4% of suits filed, respectively. By contrast, the forum overwhelmingly preferred by patent holders, the Eastern District of Texas, received a mere 2.5% of declaratory actions. *See* Daniel Klerman & Greg Reilly, *Forum Selling*, 89 S. Cal. L. Rev. 241, app. 5, at 315 (2016).

Lest it seem that this declaratory judgment problem is limited to a specific class of patent owners, consider that any patent owner—operating company or not—can manipulate declaratory jurisdiction through transactional strategy. In *Xilinx, Inc. v. Papst Licensing GmbH & Co. KG*, a patent was owned by a company in the Northern District of California, and the accused infringers were companies in the Northern District of California. *See* 113 F. Supp. 3d 1027, 1031–32 (N.D. Cal. 2015), *appeal filed sub nom. Altera Corp. v. Papst Licensing GmbH & Co. KG*, Nos. 15-1914, -1919 (Fed. Cir. Dec. 21, 2015). But rather than litigating in the obvious forum, the patent owner entered a complex assignment and licensing arrangement that ultimately placed the patent with a German patent assertion entity. *See id.* at 1032. When the accused infringers sought a declaratory judgment in the Northern District of California, the district court found no personal jurisdiction under *Red Wing Shoe*. *See Xilinx*, 113 F. Supp. 3d at 1037–38. *Xilinx* thus demonstrates that any company can effectively circumvent declaratory jurisdiction by transferring the patent to a patent assertion entity.[6]

Although perhaps questionable, the Federal Circuit's holdings both on broad personal jurisdiction over alleged infringers and on narrow declaratory judgment jurisdiction over patent owners are the current law for all patent cases. Correction of patent venue law is the most feasible

[6]EFF and Public Knowledge are participating in *Xilinx* as *amici*, and have asked the Federal Circuit to revisit its law surrounding personal jurisdiction in declaratory judgment actions. *See* Brief of Public Knowledge and the Electronic Frontier Foundation as *Amici Curiae* in Support of Neither Party, *Altera Corp. v. Papst Licensing GmbH & Co. KG*, Nos. 15-1914, -1919 (Fed. Cir. Dec. 21, 2015), *available at* URL *supra* p. ix.

and direct way to restore a degree of fairness in forum selection.

II. Unfairness in Patent Venue Has Serious Practical Effects for Industry, the Judiciary, and the Public

It is not just legal theory that suggests the unfairness of patent venue law under *VE Holding*. Practical experience, borne out in past cases and known litigation trends, shows that the unlimited venue regime has substantially contributed to negative and concerning practices in the patent system. The decisions have given rise to the phenomenon of district court forum shopping, and equally and perhaps more important, district court forum *selling*.

Perhaps in no other area of law is forum shopping more prominent than in patent litigation. A single district—the Eastern District of Texas—heard 44% of all new district court patent cases filed in 2015. *See* Kaleigh Rogers, *The Small Town Judge Who Sees a Quarter of the Nation's Patent Cases*, Motherboard (May 5, 2016), URL *supra* p. x. In November, 2015 alone, a record 467 patent lawsuits were filed there, nearly 55% of all cases filed nationally that month. *See* Jeff Bounds, *Patent Suits Flood East Texas Court*, Dallas Morning News, Dec. 13, 2015, URL *supra* p. ix. One judge within that district heard almost one fourth of all patent cases *in the entire country*. *See* Rogers, *supra*. This is despite the fact that the district has a small population and no major corporate or technology industry.

It is clear that parties are engaged in forum shopping.[7] It is also clear that the Eastern District of Texas is not

[7] *See* Moore, *supra*, at 892; Colleen V. Chien & Michael Risch, *Recalibrating Patent Venue*, Patently-O (Oct. 6, 2016), URL *supra* p. ix

an appropriate forum for many of those that are sued for patent infringement. Since 2008, the Federal Circuit has granted mandamus petitions related to venue arising from that district at least 19 times.[8] Motions to transfer, and often mandamus, have become the recourse of those sued in the Eastern District of Texas that have no ability to argue § 1400(b) controls the forum at the outset. This strongly suggests that it is frequently improper—and as discussed below, harmful—for venue to lie in the Eastern District of Texas.

The practice of forum shopping is "troubling" in itself because it "forces the acknowledgment that the promise of equal, consistent, and uniform application of justice . . . is unattainable." Moore, *supra*, at 893. But it should be

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(finding that 83% of the time, patent defendant has no place of business at location of suit).

[8] *See In re Google Inc.*, No. 15-138, 2015 WL 5294800 (Fed. Cir. July 16, 2015); *In re Apple, Inc.*, 581 F. App'x 886 (Fed. Cir. 2014) (per curiam); *In re Nintendo of Am., Inc.*, 756 F.3d 1363 (Fed. Cir. 2014); *In re Toyota Motor Corp.*, 747 F.3d 1338 (Fed. Cir. 2014); *In re Toa Techs, Inc.*, 543 F. App'x 1006 (Fed. Cir. 2013); *In re Nintendo Co.*, 544 F. App'x 934 (Fed. Cir. 2013); *In re Google Inc.*, 588 F. App'x 988 (Fed. Cir. 2014); *In re Oracle Corp.*, 399 F. App'x 587 (Fed. Cir. 2010); *In re EMC Corp.*, 677 F.3d 1351 (Fed. Cir. 2012); *In re Genentech, Inc.*, 566 F.3d 1338 (Fed. Cir. 2009); *In re TS Tech USA Corp.*, 551 F.3d 1315 (Fed. Cir. 2008); *In re Hoffmann-La Roche Inc.*, 587 F.3d 1333 (Fed. Cir. 2009); *In re Nintendo Co.*, 589 F.3d 1194 (Fed. Cir. 2009); *In re Acer Am. Corp.*, 626 F.3d 1252 (Fed. Cir. 2010); *In re Zimmer Holdings, Inc.*, 609 F.3d 1378 (Fed. Cir. 2010); *In re Biosearch Techs., Inc.*, 452 F. App'x 986 (Fed. Cir. 2011); *In re Morgan Stanley*, 417 F. App'x 947 (Fed. Cir. 2011) (per curiam); *In re Verizon Bus. Network Servs. Inc.*, 635 F.3d 559 (Fed. Cir. 2011); *In re Microsoft Corp.*, 630 F.3d 1361 (Fed. Cir. 2011). These orders directed the Eastern District of Texas to consider a motion to transfer; to give proper consideration to certain facts on a motion to transfer; or to transfer the case contrary to the district court's previous refusal.

even more troubling for at least two reasons: it opens up the possibility that courts have sought to attract patent owners by implementing friendly procedures; and it has demonstrable and substantive effects on outcomes of cases.

A. Scholarship Suggests that Patent Forum Shopping May Be Spawning Troubling Practices Among Courts

If patent owners have their complete pick of the lot for forum, then courts seeking to expand their patent dockets may, consciously or not, implement procedures and practices favorable to patent owners. Indeed, several academic commentators contend that this very well may be happening today.

"Forum selling," described in Daniel Klerman and Greg Reilly's paper of the same name, refers to the phenomenon of judges creating procedural and substantive laws that favor patent owners, in order to attract cases to their district. Daniel Klerman & Greg Reilly, *Forum Selling*, 89 S. Cal. L. Rev. 241, 243 (2016).[9] Klerman and Reilly find significant evidence that the Eastern District of Texas has engaged in forum selling. *Id.* at 247–70; *see also id.* at 277–80 (rebutting alternative explanations); Anderson, *supra*, at 659–66 (similarly discussing judicial incentives to attract patent cases).

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[9]Several scholars hypothesize as to court motivations for engaging in forum selling, and identify evidence supporting these motivations. *See id.* at 270–77; Anderson, *supra*, at 661–65. Regardless of actual motivations, the mere possibility that courts engage in forum selling is so detrimental to public confidence in our judicial system that courts should take measures to avoid even the appearance of forum selling.

Many judges in the Eastern District of Texas have adopted certain procedural and substantive rules that benefit patent owners—particularly those with weak patents and no products—to the detriment of small innovators and those accused of infringement. These rules drive up costs to defendants and work to increase settlement pressure untethered to the merits of a particular claim for patent infringement.

For example, two judges of that district—who collectively in 2015 heard almost 40% of district court patent cases in the country[10]—until very recently forbade parties from moving for summary judgment absent prior permission from the court. *See Sample Docket Control Order for Patent Cases Assigned to Judge Rodney Gilstrap* 4 (Nov. 2015) [hereinafter *Gilstrap DCO*], URL *supra* p. xi.[11] These judges also continue to require the production of all relevant documents without regard to the needs of the case in light of such things as resources or amounts in controversy, and without request from the other side, despite recent changes and clarifications made to Federal Rule of Civil Procedure 26. *See Sample Discovery Order for Patent Cases Assigned to Judge Rodney Gilstrap* 3 (July 2016), URL *supra* p. xi. The judges furthermore limit the ability of a party to move for a stay pending the disposition of a summary judgment motion or a motion to dismiss. *Gilstrap DCO*, *supra*, at 5.[12]

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[10] *See* Brian C. Howard, *Lex Machina 2014 Year in Review* 1, 15 (2014), *available at* URL *supra* p. ix.

[11] Judge Schroeder's standing orders also previously contained the same relevant rules as Judge Gilstrap's standing orders. Judge Schroeder's orders may be found at *Docket Control Order* (July 6, 2015), URL *supra* p. ix.

[12] It is likely that many, if not all, of these requirements are inconsistent with the Federal Rules of Civil Procedure. *See* Fed. R. Civ. P.

These rules, although facially neutral, give significant advantages to patent owners with minimal assets, dubious patents or infringement claims, or a goal of extracting undeserved settlements.[13] Non-practicing entities whose sole business is asserting patents—those given broad latitude by the rule of *VE Holding* and insulated by the rule of *Red Wing Shoe*—often have little by way of documents to produce, making the burden of automatic, virtually unlimited document discovery fall primarily on the accused infringer. Similarly, roadblocks to summary judgment and motions to stay favor those with weak patents or claims of infringement, who often seek to delay merits decisions while simultaneously increasing litigation costs on defendants, in order to extract settlements that, although significant, still fall below the cost of trial.

If the meaning of "resides" in § 1400 were restored to its original and unchanged intent, the ability of patent owners to forum shop would be undercut. Importantly, courts could not "compete" for patent litigation as choice

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12, 26, 56 & 83. With respect to the judges' previous rules regarding moving for summary judgment, the Eleventh Circuit has specifically held that an "advance screening" requirement violates both substantive and procedural rights. *See Brown v. Crawford County*, 960 F.2d 1002, 1006–10 (11th Cir. 1992). Also, the rigid and remarkably broad discovery rules contradict the requirement that "the court must limit the frequency or extent of discovery" in appropriate situations, Fed. R. Civ. P. 26(b)(2)(C), and the requirement that discovery "be proportional to the needs of the case," *id.* at 26(b)(1). It can be hypothesized that one reason the judges' rules have gone unchallenged is that denials of summary judgment and general discovery orders are generally not appealable, and mandamus is a rare remedy. *See* Klerman & Reilly, *supra*, at 302 n.338.

[13]The dearth of declaratory judgment filings in the Eastern District of Texas suggests that accused infringers also believe that the jurisdiction's rules are unfavorable. *See* Klerman & Reilly, *supra*, at 277–78.

of forum would likely be dictated by factors controlled by general business advantage and not litigation advantage. The negative incentive structure caused by *VE Holding* suggests the error in that case.

B. Prior Cases Demonstrate that Unlimited Venue Produces Substantive Outcomes Unfairly Favoring Patent Asserters

The reality of today's patent litigation shows exactly how important venue has become. Case studies of patent owner litigation strategies provides strong evidence that patent owners take advantage of nationwide venue and specifically seek out districts such as the Eastern District of Texas in order to leverage litigation advantages that may not otherwise accrue based on merit.

1. Cases show that patent owners have used forum choice to obtain favorable substantive results.

Eclipse IP is a high-volume repeat patent assertor. Between 2010 and 2014, Eclipse IP filed over a hundred lawsuits in the Central District of California. Scheduling Conference Proceedings at 1, *Eclipse IP LLC v. PayByPhone Techs., Inc.* ("*PayByPhone*"), No. 2:14-cv-154 (C.D. Cal. May 29, 2014). Judge Wu, of that district, found that Eclipse IP "appears to generally seek modest lump-sum licensing payments," perhaps suggesting that "Eclipse is leveraging the cost of litigation, rather than the strength of its patents." *Id.* Judge Wu subsequently stated that he was "concerned that at least some of the Eclipse Cases have the potential for resolution to be driven primarily by the costs of defense." Order Coordinating and Staying Cases at 2, *PayByPhone*, No. 2:14-cv-154 (June 10, 2014). Consequently, he stayed all but a small portion of

the cases, and ordered Eclipse IP to file a notice of related cases for any further cases filed related to the same patents. *Id.* at 2–3.

In only three months from issuing that order, Judge Wu invalidated claims from three different Eclipse IP patents on a motion to dismiss, holding that they claimed ineligible subject matter and failed to meet the requirements of 35 U.S.C. § 101. *See* Ruling on Motion to Dismiss for Lack of Patentable Subject Matter, *PayByPhone*, No. 2:14-cv-154 (Sept. 4, 2014) (captioned *Eclipse IP LLC v. McKinley Equip. Corp.*).

Rather than appealing the merits of that now-final order, Eclipse IP apparently attempted to jurisdictionally end-run around it. Using familially-related[14] patents, Eclipse IP filed another round of 53 lawsuits. None were filed in the Central District of California; 40 were filed in the Eastern District of Texas.[15]

One Texas defendant moved to dismiss Eclipse IP's suit, arguing that the claims at issue in Texas were "materially indistinguishable" from those invalidated by Judge Wu and similarly failed to meet the requirements of § 101. *See* Pro-Source's Motion to Dismiss for Failure to State a Claim at 1, *Eclipse IP, LLC v. Pro-Source Performance*

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[14] A patent owner may, under certain circumstances, obtain a so-called "continuation" patent that is generally similar in content and legal treatment to the original patent. *See* 35 U.S.C. § 120. However, a legal determination as to the original patent will not necessarily affect the continuation, which is what allowed Eclipse IP to assert patents in a second forum after the Central District of California had invalidated others. *Cf. SRI Int'l, Inc. v. Internet Sec. Sys., Inc.*, 511 F.3d 1186, 1198 (2008) (of several familially-related patents, holding one anticipated by prior art and others not).

[15] *Amici* determined this by searching PACER for cases filed with "Eclipse IP" as plaintiff and "patent" as nature of suit.

Prods., Inc. ("*Pro-Source*"), No. 2:15-cv-363 (E.D. Tex. June 11, 2015).

Eclipse IP moved to strike the motion, arguing it was not allowed by Judge Gilstrap's rules. *See id.*; Emergency Motion of Plaintiff Eclipse IP LLC to Strike Defendant Pro-Source Performance Products, Inc.'s Motion to Dismiss at 2, *Pro-Source*, No. 2:15-cv-363 (June 24, 2015).[16] Though the motion to strike was denied, *see* Order Denying Motion to Strike, *Pro-Source*, No. 2:15-cv-363 (July 6, 2015), the principal motion, as well as several "me-too" motions filed by other defendants, languished for months. In the interim, the parties engaged in significant discovery, and were required to complete substantially all document discovery. *See* Docket Control Order, *Eclipse IP LLC v. Alfa Vitamin Labs, Inc.*, No. 2:15-cv-353 (E.D. Tex. Aug. 24, 2015) (consolidated case with *Pro-Source*; setting case deadlines). Over time, each defendant settled as litigation costs mounted. On February 25, 2016, over 9 months after the first motion to dismiss was filed, the case ended when the last defendant settled. Order Granting Joint Motion to Dismiss, *Eclipse IP*, No. 2:15-cv-353 (Feb. 25, 2016). The court never ruled on any of the motions to dismiss. *Id.*

Eclipse IP's litigation activities are evidence of a desire to take advantage of the forum-specific procedural and substantive rules offered by the Eastern District of Texas. By filing in that district, Eclipse IP was able to execute on a goal of "leveraging the cost of litigation" to

[16] At the time, Judge Gilstrap did not allow defendants to file motions to dismiss that argued the patent failed to claim patentable subject matter, absent prior leave of court. This Judge's directive has since been superseded by a new procedure. *See* Michael C. Smith, *New ED Tex Tools for Handling Pre-Markman 101 Motions*, ED-Texweblog (Nov. 11, 2015), URL *supra* p. xi.

obtain "modest lump sum payments," something it failed to do in the Central District of California.

2. Cases also show that patent owners choose the most costly and inconvenient fora for defendants.

Consider a situation where two small companies, one in Florida and another in California, are accused of separately infringing a patent. Most convenient to the defendants would be for the Florida company to be sued in Florida, and the California company to be sued in California. It might be reasonable for both companies to be sued in California, or both in Florida. But one would truly struggle to justify suing the California company in Florida and the Florida company in California.

Yet that is precisely what one patent owner did. Shipping and Transit, LLC is one of the most prolific patent lawsuit filers, having opened over 120 cases in the last twelve months.[17] The Florida-based patent asserter has in at least one instance sued a California-based e-commerce retailer in Florida, *see Shipping & Transit, LLC v. LD Prods., Inc.*, No. 9:16-cv-81040 (S.D. Fla. complaint filed June 21, 2016), and a Florida-based corporation in California, *see Shipping & Transit, LLC v. Neptune Cigars, Inc.*, No. 2:16-cv-03836 (C.D. Cal. complaint filed June 1, 2016).

The result is that both companies must now expend additional resources to defend their respective cases on the opposite coast of the country—a result likely to nudge those defendants toward settlement irrespective of the merits of the case. This is a result made possible only by an overbroad reading of the venue statute that results in

[17]In the interest of disclosure, *amicus* EFF notes that it currently represents parties in litigation against Shipping and Transit, although in an action unrelated to those mentioned here.

dispensing considerations of fairness from the choice of forum.

III. Immediate Review of This Case Is Necessary to Prevent the Ongoing Harms of This Unproductive Gaming of Venue

The ability of patent owners to manipulate venue so as to significantly increase costs on defendants—an ability highly constrained by the rule of *Fourco*, and undone by *VE Holding*—suggests Congress did not intend this massive shift in the meaning of its specific venue statute when it made a "miscellaneous" change to the wording of the general venue statute.

The effect of this venue free-for-all for patent owners especially harms small companies and American consumers. They are the ones least able to secure distant counsel, travel to a distant forum, and learn the procedures of a new jurisdiction. They are also the ones most likely to succumb to undue settlement pressure made only greater by patent owners' ability to exploit district court differences in procedural and substantive rules. Insofar as the viability of such companies and consumers is central to the economic and innovative output of this nation, it is especially important to ensure that venue rules work toward fairness and justice for all parties rather than toward unilateral benefits for some. Those interests of fairness and justice favor review of this case and a granting of a writ of certiorari.

CONCLUSION

For the foregoing reasons, this Court should grant the writ of certiorari.

Respectfully submitted,

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October 2016

RECORD
AND
BRIEF

No. 16-341

IN THE

Supreme Court of the United States

TC HEARTLAND LLC,

Petitioner,

v.

KRAFT FOODS GROUP BRANDS LLC,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF *AMICI CURIAE* 56 PROFESSORS OF LAW AND ECONOMICS IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

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INTEREST OF *AMICI*[1]

Amici are 56 professors and researchers of law and economics at universities throughout the United States. We have no personal interest in the outcome of this case, but a professional interest in seeing patent law develop in a way that encourages innovation and creativity as efficiently as possible.

SUMMARY OF ARGUMENT

28 U.S.C. § 1400(b) provides that a defendant in a patent case may be sued where the defendant is incorporated or has a regular and established place of business and has infringed the patent. This Court made clear in *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222, 223 (1957), that those were the only permissible venues for a patent case. But the Federal Circuit has rejected *Fourco* and the plain meaning of § 1400(b), instead permitting a patent plaintiff to file suit against a defendant anywhere there is personal jurisdiction over that defendant. The result has been rampant forum shopping, particularly by patent trolls. 44% of 2015 patent lawsuits were filed in a single district: the Eastern District of Texas, a forum with plaintiff-friendly rules and practices, and where few of the defendants are incorporated or have established places of business. And an estimated 86% of 2015 patent cases were filed somewhere other than the jurisdictions specified in the statute. Colleen V. Chien &

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1. No person other than the *amici* and their counsel participated in the writing of this brief or made a financial contribution to the brief. The parties have been given appropriate notice and have consented to the filing of this Brief.

Michael Risch, *Recalibrating Patent Venue*, Santa Clara Univ. Legal Studies Research Paper No. 10-1 (Sept. 1, 2016), Table 3, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2834130. This Court should grant certiorari to review the meaning of 28 U.S.C. § 1400(b) because the Federal Circuit's dubious interpretation of the statute plays an outsized and detrimental role, both legally and economically, in the patent system.

ARGUMENT

I. The Federal Circuit's Expansive and Incorrect Interpretation of 28 U.S.C. § 1400(b) Allows Patentholders to Sue Anywhere in the Nation

Section 48 of the Judiciary Act of 1897 limited jurisdiction in patent cases to districts that the defendant inhabited or had a place of business and committed infringing acts. Act of March 3, 1897, c. 395, 29 Stat. 695. In 1942, this Court confirmed that "Congress did not intend the Act of 1897 to dovetail with the general provisions relating to the venue of civil suits, but rather that it alone should control venue in patent infringement proceedings." *Stonite Prods. Co. v. Melvin Lloyd Co.*, 315 U.S. 561, 563 (1942).

In 1948, Congress enacted 28 U.S.C. § 1400(b), specifying that "patent venue is proper in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business." In 1957, this Court confirmed that patent venue should not be interpreted with reference to the general jurisdiction statute, holding that "28 U.S.C. 1400(b) . . . is the sole

and exclusive provision controlling venue in patent infringement actions, and that it is not to be supplemented by the provisions of 28 U.S.C. 1391(c)." *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222, 223 (1957).

In 1990, the Federal Circuit declined to apply this Court's longstanding precedent and decided that the general venue statute should define interpretation of the patent venue statute. It made this decision on the basis of a ministerial change Congress made in 1988 to 28 U.S.C. § 1391. *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1583 (Fed. Cir. 1990). That statutory language changed the wording in 28 U.S.C. § 1391, from defining residence "for venue purposes" to defining residence "for purposes of venue under this chapter." There was no indication that Congress intended this change to impact the patent venue statute.

The Federal Circuit's conclusion that Congress's ministerial change overruled this Court's longstanding precedent is incorrect for at least two reasons. First, it violates fundamental rules of statutory construction. It is well-established that Congress "does not alter the fundamental details of a regulatory scheme in vague terms or ancillary provisions—it does not, one might say, hide elephants in mouseholes." *Whitman v. American Trucking Assns., Inc.*, 531 U.S. 457, 468 (2001) (citing *MCI Telecomm. Corp. v. American Tel. & Tel. Co.*, 512 U.S. 218, 231 (1994); *FDA v. Brown & Williamson Tobacco Corp.*, 529 U.S. 120, 159-60 (2000)).

Second, the Federal Circuit's interpretation renders the second half of § 1400(b) largely superfluous. That section provides:

> Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.

The term "resides" in § 1400(b) must mean something different than having "a regular and established place of business." Otherwise, there would have been no reason to include both provisions in the venue statute, or to link them through the disjunctive term "or." In *Brunette*, this Court, interpreting 28 U.S.C. § 1400(b) as well as 28 U.S.C. § 1391(d), confirmed that where a corporation "resides" is where it is incorporated. *Brunette Mach. Works v. Kockum Indus.*, 406 U.S. 706, n.2 (1972).

Instead of parsing § 1400(b) carefully, the Federal Circuit has chosen to read the § 1391(c)(2) definition of corporate residence for general venue purposes into the specific patent venue provision. In relevant part, § 1391(c)(2) provides that corporate defendants:

> shall be deemed to reside . . . in any judicial district in which such defendant is subject to the court's personal jurisdiction with respect to the civil action in question . . . .

For patent infringement cases, the relevant aspect of personal jurisdiction is typically specific jurisdiction, which focuses on whether the defendant's suit-related conduct establishes a "substantial connection" with the judicial forum in question. *Walden v. Fiore*, 134 S.Ct. 1115, 1121 (2014). But a corporation will have established a suit-related "substantial connection" with, and thus be subject

to jurisdiction in, any district in which it "has committed acts of infringement and has a regular and established place of business." So the Federal Circuit's decision to read the § 1391(c) definition of "resid[ing]" into § 1400(b) renders the second half of the latter section superfluous as to corporations, a category which includes virtually all patent defendants. A judicial reading that renders half of a statutory provision superfluous is strongly disfavored. *United States v. Jicarilla Apache Nation*, 131 S.Ct. 2313, 2330 (2011) ("'As our cases have noted in the past, we are hesitant to adopt an interpretation of a congressional enactment which renders superfluous another portion of that same law.'" (quoting *Mackey v. Lanier Collection Agency & Serv., Inc.*, 486 U.S. 825, 837 (1988))); *Babbitt v. Sweet Home Chapter of Communities for a Great Oregon*, 515 U.S. 687, 698 (1995) (noting "[a] reluctance to treat statutory terms as surplusage").

The Federal Circuit's expansive, and we believe incorrect, interpretation of 28 U.S.C. § 1400(b) effectively allows patent owners to file suit in any federal district where an allegedly infringing product is sold. In re *TC Heartland, LLC*, No. 2016-105, at 10 (Fed. Cir. Apr. 29, 2016) (holding that jurisdiction is proper in a patent suit "where a nonresident defendant purposefully shipped accused products into the forum through an established distribution channel and the cause of action for patent infringement was alleged to arise out of those activities"). The widespread availability of products over the internet means, in effect, that patentholders can bring their suits in any district in any state in the country.

II. Permissive Venue has Fueled and Enabled Forum Shopping and Selling, Patent Trolls, and Case Concentration

The Federal Circuit's expansive interpretation of 28 U.S.C. §1400(b) has harmed the patent system in three distinct ways. It has led to forum selling and forum shopping, it has contributed to the growth of opportunistic patent litigation by patent trolls, and it has led to undue case concentration.

Patent lawyers today spend a great deal of time figuring out the best districts in which to file patent cases, and for good reason. The district in which you file your patent case has consequences for how much your case will cost, how long it will last, and whether you will prevail in court. Mark A. Lemley, *Where to File Your Patent Case*, 38 AIPLA Q.J. 401 (2010); Brian J. Love & James C. Yoon, *Predictably Expensive: A Critical Look at Patent Litigation in the Eastern District of Texas*, Stan. Tech. L. Rev. ___ (forthcoming, 2016), http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2835799.

The choice of venue enabled by the Federal Circuit's liberal interpretation of the statute has created an incentive for courts to differentiate themselves in order to compete for litigants and "sell" their forum to prospective plaintiffs. *See* J. Jonas Anderson, *Court Competition for Patent Cases*, 163 U. Pa. L. Rev. 631 (2015); Daniel M. Klerman & Greg Reilly, *Forum Selling*, 89 S. Cal. L. Rev. 241 (2016).

Among district courts, the Eastern District of Texas is the clear forum of choice for patent plaintiffs. It has

been the most popular venue for patent cases in eight of the last ten years. Chien & Risch, *supra* at 3. Whether intentionally or not, judges in the Eastern District of Texas have adopted rules and practices relating to case assignment, joinder, discovery, transfer, and summary judgment that attract patent plaintiffs to their district. Klerman & Reilly, *supra*; Matthew Sag, *IP Litigation in U.S. District Courts: 1994-2014*, 101 Iowa L. Rev. 1065 (2016) (detailing evidence of "forum selling" and five advantages to plaintiffs of filing suit in the Eastern District of Texas).

A study of all patent cases filed from 2014 to June 2016 quantifies some of the advantages. Love & Yoon, *supra*. Compared to their colleagues across the nation, judges in the Eastern District of Texas take 150 additional days on average to rule on motions to transfer, *id.* at 15, and are 10 percentage points less likely to stay the case in favor of an expert adjudication on the validity of the patent by Patent and Trademark Office (PTO) in *inter partes* review, *id.* at 26., despite the fact that patents asserted in the Eastern District of Texas are challenged in *inter partes* review more often than patents asserted in any other district. Saurabh Vishnubhakat, Arti Rai, & Jay Kesan, *Strategic Decision Making in Dual PTAB and District Court Proceedings*, 31 Berkeley Tech. Law J. 45, 109 (2016). At the same time, judges in the Eastern District of Texas have adopted discovery rules that begin earlier, end sooner, and require broader disclosure than just about anywhere else in the country. Love and Yoon, *supra* at 19-22 (comparing discovery and other pretrial deadlines applicable in the Eastern District of Texas and District of Delaware). In combination, relatively early and broad discovery requirements and relatively late rulings

on motions to transfer ensure that defendants sued in the Eastern District of Texas will be forced to incur large discovery costs, regardless of the case's connection to the venue.

However, not all types of plaintiffs choose to take advantage of the leverage that these rules and procedures make possible. Patent assertion entities (PAEs), or patent "trolls" use patents primarily to gain licensing fees rather than to commercialize or transfer technology. Colleen V. Chien, *From Arms Race to Marketplace: The Complex Patent Ecosystem and Its Implications for the Patent System*, 62 Hastings L.J. 297 (2010) Trolls make particular use of the advantages provided by the Federal Circuit's permissive approach to forum shopping. Since 2014, over 90 percent of patent suits brought in the Eastern District of Texas were filed by trolls established for the purpose of litigating patent suits. Love & Yoon, *supra* at 9. By contrast, operating companies, individuals, and universities are more likely to sue in other districts. Chien & Risch, *supra* at 3-4, 40.

The troll business model explains this difference in behavior. As the FTC's recent report describes, "litigation PAEs" sign licenses that are "less than the lower bounds of early stage litigation costs," a finding "consistent with nuisance litigation, in which defendant companies decide to settle based on the cost of litigation rather than the likelihood of their infringement." Federal Trade Commission, *Patent Assertion Entity Activity: An FTC Study*, https://www.ftc.gov/reports/patent-assertion-entity-activity-ftc-study. Rather than a decision on the merits and damages commensurate with the value of patented technology, litigation PAEs instead seek to

leverage the high cost of litigation to coerce nuisance-value settlements keyed not to the merits of the lawsuit, but the cost of litigation. Mark A. Lemley & A. Douglas Melamed, *Missing the Forest for the Trolls*, 113 Colum. L. Rev. 2117 (2013). Further, unlike operating companies that sell products, litigation PAEs generally lack customers and regular operations and therefore have the flexibility to incorporate and file suit based solely on litigation considerations, through shell companies or otherwise.

While forum shopping in general impairs the operation of law, disadvantages those who lack the resources to engage in forum shopping, and creates economic waste, Jeanne C. Fromer, *Patentography*, 85 N.Y.U. L. Rev. 1444, 1464-1465 (2010), the rise of the troll business model exacerbates these problems in patent litigation, creating a particularly urgent need for the Court to hear this case. This Court has previously warned against the problems of abusive patent litigation. More than a century ago, it worried about the rise of "a class of speculative schemers who make it their business to watch the advancing wave of improvement, and gather its foam in the form of patented monopolies, which enable them to lay a heavy tax upon the industry of the country, without contributing anything to the real advancement of the arts." *Atlantic Works v. Brady*, 107 U.S. 192, 200 (1883). And in *Commil v. Cisco*, this Court said:

> The Court is well aware that an "industry has developed in which firms use patents not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees." *eBay Inc. v. MercExchange, L. L. C.*, 547 U. S. 388, 396 (2006) (KENNEDY, J., concurring).

> Some companies may use patents as a sword to go after defendants for money, even when their claims are frivolous.

576 U.S. __, 135 S.Ct. 1920 (2015).

Because troll suits now dominate patent litigation nationwide, their filing patterns have led to an overall concentration of 44% of all patent cases in the Eastern District of Texas in 2015. Among cases initiated 2014 through 2016, one U.S. District Judge on the Eastern District of Texas—Judge Rodney Gilstrap of Marshall, Texas—was assigned almost one quarter of all patent case filings nationwide, more than the total number of patent cases assigned to all federal judges in California, New York, and Florida combined.[2]

This level of concentration is a problem for the legal system whatever one thinks of the decisions of the Eastern District of Texas and regardless of how fair and capable the judges there are. Simply from a logistical standpoint, the current caseload in the Eastern District of Texas is problematic. If even 10 percent of the 1,686 patent cases assigned to Judge Gilstrap in 2015 go to trial, he will need to preside over three to four patent trials per week every week for an entire year to avoid creating a backlog.

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2. According to Lex Machina, between January 1, 2014 and June 30, 2016 Judge Gilstrap was assigned 3,166 new patent suits, more than the combined total of all district courts in California, Florida, and New York: 2,656. Love & Yoon, *supra*, at 5 (collecting these statistics).

Further, when Congress decided to consolidate patent appeals in the newly-created United States Court of Appeals for the Federal Circuit, it deliberately chose to include both appeals from the United States Patent and Trademark Office and the district courts, so the new court would not hear only appeals from patent owners. And it considered and rejected proposals to create a specialized district court to hear patent cases. But the Federal Circuit's interpretation of § 1400(b) has in practice created just such a court.

The current distribution of patent litigation filings is the result of strategic behavior by a specific type of patent enforcer, not an artifact of proximity to the original locus of invention or alleged infringement. Forum-shopping plaintiffs will naturally gravitate towards whatever district seems to have the most favorable rules. The effect of the Federal Circuit's decision to expand patent venue beyond the scope of the statute and this Court's decisions has been to create a de-facto specialized patent trial court, one chosen by litigants on one side rather than by Congress.

CONCLUSION

The Federal Circuit's permissive venue rule has fundamentally shaped the landscape of patent litigation in ways that harm the patent system, by enabling extensive forum shopping and forum selling, supporting opportunistic patent litigation by patent trolls, and creating undue case concentration. This Court should grant certiorari in order to curb abuse of venue based on its misinterpretation of § 1400(b).

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AND
BRIEF

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In the Supreme Court of the United States

TC HEARTLAND, LLC,

Petitioner,

v.

KRAFT FOOD BRANDS GROUP, LLC,

Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF AMICUS CURIAE PAUL R. MICHEL IN SUPPORT OF PETITIONER

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INTEREST OF THE AMICUS CURIAE[1]

Amicus Curiae Paul R. Michel is a retired Chief Judge of the United States Court of Appeals for the Federal Circuit, the reviewing court for essentially all patent rulings. Judge Michel has a strong interest in offering neutral, impartial advice to the Court on the Court's resolution of patent issues so as to advance innovation, here the proper requirements for venue in patent litigation. On the basis of his service on the court for over 22 years, hearing thousands of patent appeals, he may have insights of use to the Court.

SUMMARY OF THE ARGUMENT

Petitioner has made a forceful legal case for why Section 1400(b) should alone control venue determinations in patent cases, particularly after the 2011 AIA amendments.

The Federal Circuit's contrary reading of the statutes has created numerous practical negative consequences. It has led to concentration of most patent litigation is a select few district courts, which is bad for positive development of patent law. Such concentration prevents the Federal Circuit from receiving diverse views about how patent law should change to keep up with ever-changing technologies. It

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[1] No counsel for a party authored this brief in whole or in part, and no such counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than the *amicus curiae* or his counsel made a monetary contribution to its preparation or submission. Pursuant to Rule 37.2, *Amicus* notified counsel of record for all parties of its intent to file an *amicus* brief. *Amicus* understands that Petitioner and Respondent have both consented to the filing of this amicus brief.

also forces corporate defendants to litigate the bulk of their cases far from any of their actual operations. And it leads defendants to be uncertain about the future of the law in this area, and to make wasteful attempts to obtain proper venue for their cases. The Court should grant certiorari to consider whether patent plaintiffs should be able to pick essentially any venue in the country, or are properly limited by Section 1400(b).

ARGUMENT

I. PETITIONER MAKES A POWERFUL LEGAL ARGUMENT FOR WHY THE FEDERAL CIRCUIT'S VENUE LAW CONFLICTS WITH THE STATUTE

The Petititon in this case ably demonstrates why venue law in the Federal Circuit is in need of reconsideration. Specifically, Section 1400(b) is clear on its face, and the 1988 amendment of Section 1391(c) did not change the applicability of this Court's decision in *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222, 226 (1957). Moreover, the 2011 Amendments of Section 1391(c) removed the language on which the Federal Circuit had relied in its decision in *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990).

Petitioner's argument is thus powerful on the law. In the next section, I explain from first-hand knowledge why resolution of the issue by this Court is important to proper operation of the patent system.

II. THIS CASE WILL AFFECT THOUSANDS OF PATENT INFRINGEMENT CASES FILED EACH YEAR

The practical effect of a decision in this case is enormous because it will control how patent infringement suits—nearly 5,000 every year—are distributed in district courts across the country. After *VE Holding* excused patent owners from complying with the special patent venue provisions of Section 1400, many patent owners selected any district in which an infringement had occurred—essentially any district in the entire country for corporate defendants that had a national sales presence.

Some accused corporate defendants sought transfer under Section 1404 to a convenient venue that was consistent with Section 1400(b). Some unsuccessful transfer movants then sought mandamus review at the Federal Circuit when the transfer motion was denied. One of the earliest mandamus petitions was granted, and several others followed in rapid succession. But the Federal Circuit denied most. The petitions were handled in the ordinary course by the monthly motions panel whose membership rotates among all the Federal Circuit judges. Amicus believes he was on the panel that granted the first.

Mandamus is an unsatisfactory approach for resolving improperly-venued cases, however. The transfer motions delay proceedings and require additional consideration by the trial judge and wasted effort by the appellate court that could be avoided by requiring the patent owner to select a venue consistent with the special patent venue provisions of Section 1400(b) in the first place. Moreover, transfers based on a more convenient forum under Section 1404

are many-factored and thus result in unpredictability, which leads to further wasting of resources by parties and the courts. The situation, then, from *VE Holdings* and its progeny, is one in which the underlying legal basis for venue is questionable and the practical result is waste, delay, and uncertainty.

This result is directly contrary to what Congress intended when it established the Federal Circuit. As lead-up to the creation of the Federal Circuit in 1982, Counsel for Amicus joined President Carter's Advisory Committee on Industrial Innovation, at the recommendation of Congressman Drinan. That Committee was tasked to formulate solutions to an innovation crisis that was perceived at the time. As part of its duties, the Commission produced a recommendation for a single patent appeals court to unify a then-fractured state of the patent law. Along with the goal of legal consistency came a goal of eliminating forum shopping by patent owners and accused infringers, where each would previously seek to sue in a circuit that was perceived to be either pro-patent or anti-patent.

But the present rule returns a very similar form of district court-level forum shopping for many patent owners. Patent litigation has become more-and-more concentrated in a few select district courts because certain patent owners find those districts to be preferable—whether for legitimate or illegitimate reasons. And corporations have found themselves having to answer in those district courts, often halfway across the country from where they reside or have places of business, and where they have comparatively little commercial activity. So a substantial portion of innovative commerce is now

being adjudicated far from where it is occurring, and with comparatively little diversity in viewpoints.

The problem has been exacerbated for a certain class of patent owners that seek small settlements with many defendants. Such patent owners can sue numerous corporate defendants in a favorable district and seek settlements from each for a sum too small for an accused corporate defendant to justify litigation, even if the patent is weak. That price may be less even than the cost of attempting to transfer the case to a more appropriate forum. And the cost even of starting a litigation in a distant forum can force settlement where a case has no merit. In short, the current approach to venue raised problems from the start, and those problems have grown ever-greater over time.

The concentration of more cases in fewer district courts also undermines two beneficial programs instituted by the Federal Circuit's first Chief Judge, Howard T. Markey—which have continued to this day. First, district judges from across the country have been invited to sit with the Federal Circuit so as to allow them to better understand the workings of the Federal Circuit and vice-versa. During my tenure as Chief Judge (2004-2010), over 30 district judges were invited to sit with the court. Only two declined, one for health reasons and the other for overloaded docket and recent illness. All others were eager to participate and came from many different districts around the country. All the district judges prepared diligently and contributed significantly to the argument, conference, and decision-making as well as the crafting of opinions. Second, the annual circuit judicial conferences draw large numbers of district judges and lawyers from throughout the nation.

Mutual understanding between the Federal Circuit and district judges has increased steadily as a result. So has the quality of the work at both levels. Separate from these two programs is the sitting of Federal Circuit judges as trial judges in various districts, and the hearing of oral argument by the Federal Circuit at different locations across the country (including in Southern California just this month). Yet the thinning of the patent case load away from many of these districts minimizes the overall benefit that these programs provide to the judiciary and the bar.

Because there is a single patent court at the intermediary appellate level, it is critically important to receive a wide range of views from the district courts. The issues on which the Federal Circuit receives critical aid from the district courts include many from recent decisions of this Court that changed the substantive patent law, including for claim construction in *Markman* and *Teva*, obviousness determinations under *KSR*, new thinking on patent damages rulings (whether utility or design) which typically receive substantial deference, and the more-important-than-ever determinations of patent eligibility under *Mayo* and *Alice*.[2] The thinking on all of these issues, in developing a national body of patent law, suffers when cases are concentrated in a small number of districts.

There is some sentiment that patent owners should have wide choice of venue in infringement cases. But that view has to be balanced against the

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[2] *See Teva Pharmas. USA, Inc. v. Sandoz, Inc.*, 574 U.S. __ (2015); *Alice Corp. v. CLS Bank Int'l*, 573 U.S. __, 134 S. Ct. 2347 (2014); *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. __, 132 S.Ct. 1289 (2012); *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996).

negative practical results of such an approach, it is contrary to the reality that many patent owners choose only a select handful of jurisdictions, and it is at least arguably inconsistent with this Court's venue decisions and subsequent legislation, as the Petition explains. And the argument is at most a policy argument that Respondent can make to this Court, but it is not a reason for this Court to decline to resolve the uncertainty that hovers over the law in this area. Courts that strictly follow *VE Holdings* have ignored the purpose of Congress in limiting venue for patent infringement cases to locations where an accused infringer resides or has committed acts of infringement and has a regular and established place of business. The result has been to limit patent infringement cases to a few overloaded jurisdictions inconvenient to most accused infringers and innovative corporations while depriving the Federal Circuit the benefit of reviewing patent trials managed by able trial judges in the rest of the country. These holdings misinterpret 1400(b) as amended in 2011, reverting the language essentially back to the pre-1988 text whose virtually identical predecessor was construed by the Court as the only venue provisions for patent infringement cases. The Federal Circuit, of course, is bound to follow the decisions of this Court.

Regardless of the view the Court adopts, the question presented urgently needs the Court's answer.

CONCLUSION

Amicus respectfully submits that the Court should grant certiorari and to consider whether Section 1400(b) is the sole provision defining venue in patent infringement cases.

Respectfully submitted.

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RECORD AND BRIEF

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Supreme Court of the United States

TC HEARTLAND LLC,

Petitioner,

v.

KRAFT FOODS GROUP BRANDS LLC,

Respondent.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

BRIEF OF *AMICI CURIAE* 32 INTERNET COMPANIES, RETAILERS, AND ASSOCIATIONS IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

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INTEREST OF *AMICI CURIAE**

Amici Curiae ("*Amici*") – 26 companies and 6 associations – submit this brief in support of the petition for a writ of certiorari because venue in patent cases matters, and indeed, matters a lot.

Amici companies are: Acushnet Company; Adobe Systems Inc.; ASUS Computer International; Crutchfield Corporation; FedEx Corporation; Garmin International, Inc.; HP Inc.; HTC America, Inc.; IAC/InterActiveCorp; KAYAK Software Corporation; L Brands, Inc.; Lecorpio, LLC; Macy's, Inc.; Newegg Inc.; Oracle Corporation; Overstock.com, Inc.; QVC, Inc.; Parke-Bell, Ltd.; Pegasystems Inc.; Red Hat, Inc.; SAS Institute Inc.; SAP America, Inc.; SteelSeries North America Corporation; Symmetry LLC; VIZIO, Inc.; and Xilinx, Inc.

Amici associations are: BSA | The Software Alliance (which represents the global software industry before governments and in the international marketplace); Computer and Communications Industry Association (which represents a wide range of companies in the computer, Internet, information technology, and

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* Pursuant to S. Ct. R. 37.6, counsel for *Amici* represent that they authored this brief in its entirety and that none of the parties or their counsel, nor any other person or entity other than *Amici* or their counsel, made a monetary contribution intended to fund the preparation or submission of this brief. Pursuant to S. Ct. R. 37.2(a), counsel for *Amici* represent that all parties were provided notice of *Amici*'s intention to file this brief at least 10 days before its due date. Both parties consent to the filing of this brief, and copies of their consent are being filed with this brief.

telecommunications industries); Entertainment Software Association (which represents nearly all major U.S. publishers of computer and video games); the Internet Association (which consists of 40 of the world's leading Internet companies); North Carolina Chamber (which is North Carolina's largest, broad-based business advocacy organization with over 35,000 members); and North Carolina Technology Association (which has over 750 members and focuses on advancing North Carolina's tech industry).

Amici represent a broad swath of the American economy. Some are long established companies, while others are start-ups. Some have brick-and-mortar stores located across the country, while others have only an Internet presence. Some sell products that they manufacture, while others sell services or software.

All *Amici*, however, share at least one thing in common – they or their members have been sued, repeatedly, for patent infringement in one of the handful of districts that hear the vast majority of all patent cases. These districts are almost always located hundreds or thousands of miles from the corporate headquarters of *Amici* and equally far from the business activities accused of infringement. Venue is often based on no more than allegations that *Amici* do business in the district by placing a small percentage of their allegedly infringing products into the stream of commerce that end up in the district, or that their allegedly infringing websites can be viewed by individuals in the district. In other words, under current

Federal Circuit caselaw and the realities of modern e-commerce, *Amici* can be sued in virtually any district in the country and they are sued invariably in an inconvenient district preferred by plaintiffs. *Amici* have a concrete interest in the question whether there is *any* limitation on venue in patent cases under 28 U.S.C. § 1400(b).

SUMMARY OF ARGUMENT

Amici urge the Court to grant the petition for a writ of certiorari because venue is one of the critical issues that can determine the outcome of a patent lawsuit. This petition provides a unique opportunity for the Court to review the Federal Circuit's misreading of the patent venue statute that has led to pervasive forum shopping with the unintended and undesirable concentration of most patent litigation in a handful of judicial districts.

In the nineteenth century, Congress passed a statute to restrict venue in patent cases, 28 U.S.C. § 1400(b), in order to correct the abuses under the general venue statute that allowed alleged infringers to be sued almost anywhere. This Court repeatedly interpreted the statute narrowly, but has not considered the statute since the Nixon Administration. More recently, the Federal Circuit has concluded that venue in patent cases is synonymous with personal jurisdiction. Combined with its embrace of an expansive theory of personal jurisdiction, the Federal Circuit effectively has

held that venue over an alleged corporate infringer is proper in almost any district in the country. Stated differently, the statute that was passed to restrict venue in patent cases has now been interpreted to allow more expansive venue over corporations in patent cases than in non-patent cases.

Extensive statistical evidence and academic research demonstrate that the Federal Circuit's approach has resulted in rampant forum shopping. By 2001, 29% of all patent cases were filed in only five of the 94 districts, and 44% of all patent cases were filed in 10 districts. Since that time, forum shopping has dramatically accelerated. Between 2007 and 2015, 52% of all patent cases were filed in only five districts, and 66% of all patent cases were filed in 10 districts. In the first half of 2015, 52% of all patent cases were filed in only two districts, the Eastern District of Texas and the District of Delaware, the district in which this case arose. In 2015, a single judge in the Eastern District of Texas handled one-third of all patent cases nationwide. Recent studies have concluded that the most popular patent districts compete to adopt procedures that will – and do – attract plaintiffs to their districts.

Choice of forum plays a critical role in the outcome of patent litigation. Generally in federal litigation, plaintiffs' chances of winning drop from 58% in cases in which there is no transfer to 29% in transferred litigation. In patent cases, the patent holder wins more often than not when it selects the forum of an infringement action, and the alleged infringer wins more often

than not when it selects the forum by filing a declaratory judgment action. In the most popular patent district, the Eastern District of Texas, the patent holder wins 72% of all jury trials. In the districts that hear the most patent cases, courts are more reluctant to transfer cases, and more reluctant to grant summary judgment, ratcheting up the pressure to settle even weak patent cases in the face of extended, expensive litigation. If plaintiffs can sue alleged corporate infringers in any district in the country, it only stands to reason that they will choose to do so in the handful of districts where they are most likely to prevail or to extract a settlement.

Forum shopping harms the legal system by creating inequities in which plaintiffs often can make an outcome-determinative choice by selecting venue, and by causing inefficiencies in which cases are litigated far from the location of the parties, the alleged infringement, and the evidence. Justice cannot be administered blindly and fairly if one of the parties can engage in forum shopping in order to gain an advantage.

This petition presents a rare opportunity for the Court to address the important issue of forum shopping resulting from the Federal Circuit's failure to impose any real limitations on venue. Although defendants can move to transfer venue, such motions are committed to the discretion of the district court. Defendants rarely, if ever, challenge denial of motions to transfer after entry of final judgment (and obviously cannot appeal if they settle when faced with litigating

in a distant district). Instead, on occasion, defendants will challenge the denial of a motion to transfer by filing a mandamus petition like the Petitioner in this case. However, mandamus petitions concerning venue are denied nearly 70% of the time by the Federal Circuit. Before 2008, the Federal Circuit had never granted a mandamus petition to overturn a decision denying transfer, and since that time, it has only granted a handful of such mandamus petitions (usually involving the Eastern District of Texas). Thus, although venue determinations are critically important, the propriety of venue decisions is rarely subject to appellate scrutiny. Accordingly, this petition presents the best opportunity in a generation for the Court to determine the proper scope of 28 U.S.C. § 1400(b).

ARGUMENT

THE COURT SHOULD GRANT THIS CERTIORARI PETITION TO INTERPRET THE PATENT VENUE STATUTE BECAUSE THIS ISSUE IS IMPORTANT AND THIS CASE PRESENTS A UNIQUE OPPORTUNITY TO STOP FORUM SHOPPING.

Congress Enacted A Restrictive Patent Venue Statute. This petition concerns the scope of the special patent venue statute, 28 U.S.C. § 1400(b): "Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of

infringement and has a regular and established place of business." In 1897, "Congress adopted the predecessor to § 1400(b) as a special venue statute in patent infringement actions to eliminate the 'abuses engendered' by previous venue provisions allowing such suits to be brought in any district in which the defendant could be served." *Schnell v. Peter Eckrich & Sons, Inc.*, 365 U.S. 260, 262 (1961) (quoting *Stonite Prods. Co. v. Melvin Lloyd Co.*, 315 U.S. 561, 563 (1942)). The patent venue statute "was designed 'to define the exact jurisdiction of the . . . courts in these matters,' and not to 'dovetail with the general [venue] provisions.'" *Schnell*, 365 U.S. at 262 (ellipsis and brackets added by Court and quoting *Stonite*, 315 U.S. at 565-66).

"As late as 1957 we have held § 1400(b) to be 'the sole and exclusive provision controlling venue in patent infringements actions.'" *Schnell*, 365 U.S. at 262 (quoting *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222, 229 (1957)). In *Fourco*, the Court held that "28 U.S.C. § 1400(b) is the sole and exclusive provision controlling venue in patent infringement actions, and that it is not to be supplemented by the provisions of 28 U.S.C. § 1391(c)." *Fourco*, 353 U.S. at 229. There, the Court held that a corporation "resides" where it is incorporated. *See id.* at 226.

In its last word on this subject in 1972, the Court concluded that 28 U.S.C. § 1391(d), and not 28 U.S.C. § 1400(b), dictated the venue of a patent infringement lawsuit against a foreign corporation that does not "reside" in any district, but noted its prior cases had

concluded that for domestic corporations, "Congress placed patent infringement cases in a class by themselves, outside the scope of general venue legislation." *Brunette Mach. Works, Ltd. v. Kockum Indus., Inc.*, 406 U.S. 706, 713 (1972). The Court has not revisited the scope of Section 1400(b) since *Brunette*.

The Federal Circuit Eliminated The Limitations Of The Patent Venue Statute. Although this Court held that Section 1400(b) should be interpreted strictly according to its plain meaning without supplementation by Section 1391(c), *see Fourco*, 353 U.S. at 229, in 1990 the Federal Circuit nevertheless concluded that Congress changed "the long-standing interpretation of the patent venue statute," 28 U.S.C. § 1400(b), when it amended the definition of "resides" in 28 U.S.C. § 1391(c) in 1988. *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1575 (Fed. Cir. 1990), *cert. denied*, 499 U.S. 922 (1991). Applying that amended definition, the court concluded that "[n]ow, under amended § 1391(c) as we here apply it, venue in a patent infringement case includes any district where there would be personal jurisdiction over the corporate defendant at the time the action is commenced." *Id.* at 1583. In other words, the Federal Circuit concluded that the patent venue statute enacted to restrict venue in patent cases no longer imposed *any* additional restrictions on venue for corporations. *See also* Kimberly A. Moore, *Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation?*, 79

N.C. L. Rev. 889, 897 (2001) (*VE Holding* "rendered superfluous the patent venue statute for corporate defendants").

The Federal Circuit likewise has adopted an expansive view of personal jurisdiction, a view that may be more expansive than that adopted by this Court today:

> Despite the Supreme Court's recent decisions questioning the "stream of commerce" theory of personal jurisdiction in product liability cases, the Federal Circuit has held that jurisdiction is proper if the accused products are sold in the forum state, whether those sales are made directly by the alleged infringer or through established distribution networks. Because most accused infringers are corporations whose products are sold nationwide, most patent plaintiffs can sue in any district.

Daniel Klerman & Greg Reilly, *Forum Selling*, 89 S. Cal. L. Rev. 241, 248 (2016) (footnotes omitted); *compare J. McIntyre Mach., Ltd. v. Nicastro*, 131 S. Ct. 2780 (2011), *with Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558 (Fed. Cir. 1994); *see also In re Heartland LLC*, 821 F.3d 1138, 1343-45 (Fed. Cir. 2016) (rejecting argument that *Walden v. Fiore*, 134 S. Ct. 115, 121 n.6 (2014), overruled or limited Federal Circuit's specific jurisdiction jurisprudence).

"Due to weak personal jurisdiction and venue constraints, a patentee can usually 'choose to initiate a lawsuit in virtually any federal district court.'" Klerman & Reilly, *supra*, 89 S. Cal. L. Rev. at 247 (quoting

Jeanne C. Fromer, *Patentography*, 85 N.Y.U. L. Rev. 1444, 1451 (2010); *see also* Moore, *supra*, 79 N.C. L. Rev. at 901 ("With borderless commerce the norm and with lax jurisdiction and venue requirements, plaintiffs in patent cases have an unfettered choice of where to bring suit."). The problems that arise from conflating the venue and personal jurisdiction determinations are exacerbated in e-commerce patent actions accusing a feature of a website of infringement when the website is operated by the defendant from its distant corporate headquarters and merely is available to viewers in the district (along with anyone else anywhere in the world).

Eliminating Patent Venue Limitations Caused Extensive Forum Shopping. Not surprisingly, eliminating the restrictions in the patent venue statute resulted in rampant forum shopping in which a handful of districts perceived to be plaintiff-friendly now handle the vast majority of patent lawsuits. This phenomenon is so pronounced today that academics refer to it as "forum selling" or "forum competition" in which districts compete to attract plaintiffs to file patent lawsuits in their courts. *See* Daniel Klerman & Greg Reilly, *Forum Selling*, 89 S. Cal. L. Rev. 241 (2016); J. Jonas Anderson, *Court Competition for Patent Cases*, 163 U. Pa. L. Rev. 631 (2015); *cf.* Tyler4Tech, *IP Friendly* (local businesses competing for patent cases, claiming E.D. Tex. is "a popular venue for patent cases due to its judicial expertise, *plaintiff-friendly local rules*, speedy dispositions, and principled jurors who understand

the value of Intellectual Property") (emphasis added) (available at http://tyler4tech.com/ipfriendly.html).

In 2001, then-Professor, now-Judge, Moore conducted the first major empirical study of forum shopping in patent cases following the Federal Circuit's elimination of any limitations over venue for corporations. Examining over 10,000 patent cases resolved between 1995 and 1999, she concluded that 29% of all patent cases were filed in only five of the 94 districts, and 44% of all patent cases were filed in only 10 districts. *See* Moore, *supra*, 79 N.C. L. Rev. at 902-904. Notably, the district that currently handles over 40% of all patent cases, the Eastern District of Texas, did not even appear in the list of the 10 busiest districts in Professor Moore's study. *See id.* at 903. Furthermore, Professor Moore discussed the Federal Circuit's interpretation of the patent venue statute and concluded that "[t]he prevalence of forum shopping is a direct by-product of the existing statutory framework." *Id.* at 892.

Since that time, forum shopping in patent cases has become markedly worse. Between 2007 and 2015, 52% of all patent cases were filed in only five districts, and 66% of all patent cases were filed in only 10 districts. *See* Klerman & Reilly, *supra*, 89 S. Cal. L. Rev. at 249. By 2013, nearly half of all patent cases were filed in only two districts (the Eastern District of Texas and the District of Delaware, the district in which this case arose), neither of which are technology or population centers, and in both districts, patent cases constituted a disproportionate share of each district's civil docket.

See Anderson, *supra*, 163 U. Pa. L. Rev. at 632-33 (28% of civil docket in E.D. Tex. and 56% in D. Del.). Although Delaware is the state of incorporation for many companies, including some of the *Amici*, which thus "reside" in Delaware under the patent venue statute as interpreted by this Court, *see Fourco*, 353 U.S. at 326, for many other companies, Delaware is simply yet another faraway venue. *Cf. In re Heartland LLC*, 821 F.3d at 1340 (Petitioner is Indiana limited liability company).

These statistics actually understate the concentration because patent assertion entities, *i.e.*, patent trolls, have no "home court" and thus are more likely to file suit in the districts perceived to be the most plaintiff-friendly; and when these entities do file suit, they are more likely to sue multiple defendants in a single lawsuit (or, more recently, file multiple lawsuits under the same patent, which are then consolidated for pre-trial purposes). *See* Greg Reilly, *Aggregating Defendants*, 41 Fla. St. U. L. Rev. 1011, 1024 (2014) (twice as many defendants sued per case in E.D. Tex. than national average); Klerman & Reilly, *supra*, 89 S. Cal. L. Rev. at 249 (in 2010, 10% of the patent cases were filed in E.D. Tex., but 25% of all patent defendants were sued there). "In 2007, about 20 percent of all patent infringement defendants were named in cases filed in the Eastern District of Texas, and this percentage increased to almost 50 percent in 2015." GAO Report, *Patent Office Should Define Quality, Reassess Incentives and Improve Clarity*, 16 (June 2016).

In the first half of 2015, 52% of all patent cases were filed in only two districts, the Eastern District of Texas and the District of Delaware, and 76% of all patent cases were filed in only 10 districts. *See* Klerman & Reilly, *supra*, 89 S. Cal. L. Rev. at 249. In 2015, a single judge in the Eastern District of Texas had 1,686 patent cases assigned to his docket, *i.e.*, one-third of all patent cases nationwide. *See* Professors' Letter Supporting Venue Reform, at 1 (July 12, 2016) (available at http://patentlyo.com/patent/2016/07/professors-patent-reform.html); *see also* Frederick L. Cottrell III, *et al.*, *Nonpracticing Entities Come to Delaware*, Federal Lawyer, 63 (Oct. 2013) (each judge in D. Del. has 400-500 patent cases).

Because the Federal Circuit eliminated restrictions on venue over corporations in the patent venue statute, districts can – and do – compete to attract plaintiffs to file patent lawsuits in their districts. *See* Anderson, *supra*, 163 U. Pa. L. Rev. at 635 ("maintaining trial management practices in a predictable manner that favors a particular type of litigant (almost always plaintiffs) allows district courts to compete for the business of litigation"); Klerman & Reilly, *supra*, 89 S. Cal. L. Rev. at 243 (judges in E.D. Tex. "have sought to attract patent plaintiffs to their district and have distorted the rules and practices relating to case assignment, joinder, discovery, transfer, and summary judgment in a pro-patentee (plaintiff) direction"); Cottrell, *supra*, Federal Lawyer at 64 (D. Del. is the second most favorable jurisdiction for patent plaintiffs based on case management approach). In a world in which a

patent holder can file a patent case in virtually any district, it stands to reason that such cases would be filed in the most hospitable districts to plaintiffs.

Forum Shopping Undermines Justice And The Appearance of Justice. "Venue is worth fighting over because outcome often turns on forum." Kevin M. Clermont & Theodore Eisenberg, *Exorcising the Evils of Forum Shopping*, 80 Cornell L. Rev. 1507, 1508 (1995). In their groundbreaking study of over 2.8 million federal civil lawsuits, Professors Clermont and Eisenberg found that plaintiffs' chances of winning drop from 58% in cases in which there is no transfer to 29% in transferred litigation. *Id.* at 1512. In her study of over 10,000 patent cases, Professor Moore found that the patent holder wins 58% of the time when it selects the forum, but wins only 44% of the time in a declaratory judgment action when the alleged infringer selects the forum. *See* Moore, *supra*, 79 N.C. L. Rev. at 921.

Forum shopping has an even greater impact when cases go to trial. In the most popular patent district, the Eastern District of Texas, the patent holder wins 72% of all jury trials. *See* Klerman & Reilly, *supra*, 89 S. Cal. L. Rev. at 254. "Perhaps nothing increases the patentee's chances of a favorable resolution more than making it to trial." *Id.* at 251. It is not surprising, then, that plaintiffs select venues that favor trial over summary judgment:

> [J]udges in the Eastern District of Texas grant summary judgment at less than one-quarter

> the rate of judges in other districts. Only Delaware even approaches the Eastern District of Texas, and its summary judgment rate is twice that of the Eastern District of Texas.

Id. (brackets added); *see also* Anderson, *supra*, 163 U. Pa. L. Rev. at 655 (judges in D. Del. "grant summary judgment motions rarely") (footnote omitted).

Similarly, "[m]otions to stay pending reexamination are granted over half the time nationwide, but are granted only about one-third of the time in the Eastern District of Texas." Klerman & Reilly, *supra*, 89 S. Cal. L. Rev. at 264 (footnotes omitted). "Perhaps deterred by this low success rate, fewer stay motions were made in the Eastern District (1% of total 2013-2014 case filings) than in the District of Delaware (2.2%), . . . [and] Northern District of California (11%)." *Id.* (ellipsis and brackets added). "As a result, the Eastern District's stay rate in 2013-2014 was only 0.4% of filed cases, significantly lower than districts like the District of Delaware (1.3%) and Northern District of California (6.5%)." *Id.* (footnote omitted).

The *prospect* of trial may be enough for a patentee to obtain a favorable resolution through settlement. *See* Anderson, *supra*, 163 U. Pa. L. Rev. at 655-56 ("The infrequency of obtaining summary judgment increases costs for defendants, increases the odds of getting to trial, and incentivizes defendants to settle out of fear of potentially large damage awards.") (footnote omitted); *accord* Cottrell, *supra*, Federal Lawyer at 64. Beyond the risk of loss at trial in a plaintiff-friendly

forum is the enormous cost of discovery and litigation in a far-off venue:

> By bringing suit in far-flung, perceivably-plaintiff-friendly "magnet jurisdictions," nuisance plaintiffs can satisfy the minimum Constitutional venue requirements while subjecting defendants to the cost and inconvenience of having to litigate in a distant location.

Ranganath Sudarshan, *Nuisance-Value Patent Suits: An Economic Model and Proposal*, 25 Santa Clara High Tech. L.J. 159, 165 (2008) (footnote omitted); *see also id.* at 172 ("Perhaps the greatest factor contributing to the existence of nuisance-value patent suits is the high cost of patent litigation."). If plaintiffs have unfettered discretion to sue corporations in almost any district in the country, they are much more likely to prevail or to extract a favorable settlement.

Suffice it to say, commentators condemn forum shopping in patent litigation. "Forum shopping can be harmful to the legal system by distorting the substantive law, by showcasing the inequities of granting plaintiffs an often outcome-determinative choice among many district courts, and by causing numerous economic inefficiencies, including inconveniences to the parties." Fromer, *supra*, 85 N.Y.U. L. Rev. at 1445. In addition to its adverse effect on justice, forum shopping adversely affects the appearance of justice: "Forum shopping conjures negative images of a manipulable legal system in which justice is not imparted fairly or predictably." Moore, *supra*, 79 N.C. L. Rev. at

892; *see also id.* at 924-30 (discussing the "evils" of forum shopping, namely, inequity and inefficiency).

"Forum shopping has fundamentally altered the landscape of patent litigation in ways detrimental to the patent system as a whole." Anderson, *supra*, 163 U. Pa. L. Rev. at 637 (footnote omitted). "Court competition creates even more problems, ranging from reduced trust in the judicial process to uneven playing fields for litigants." *Id.* By reviving the currently moribund patent venue statute in accord with its express language and original intent, the Court could restore trust in the judicial process and reinstate a level playing field.

This Petition Presents A Rare Opportunity To Stop Patent Forum Shopping. This petition presents an unusual opportunity for the Court to correct the Federal Circuit's failure to impose any real limitations on venue in patent cases through its abandonment of the restrictions set out in the patent venue statute. The Court has not considered that statute, 28 U.S.C. § 1400(b), since 1972, and has not construed its scope over corporations since 1957. *See Brunette Mach. Works, Ltd. v. Kockum Indus., Inc.*, 406 U.S. 706 (1972); *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222 (1957). The Court has not had occasion to consider the Federal Circuit's effective nullification of the patent venue statute since it denied certiorari in *VE Holding Corp. v. Johnson Gas Appliance Co.*, 499 U.S. 922 (1991). The Court now has 25 years of empirical evidence of forum shopping that resulted from the Federal Circuit's decision in *VE Holding* to treat Section 1400(b) as superfluous.

Contrary to other cases, this Court's silence is not evidence that the Federal Circuit correctly interpreted Section 1400(b) a generation ago. With its unique, subject matter-specific jurisdiction, only the Federal Circuit has occasion to interpret the scope of the patent venue statute, and it has steadfastly followed its holding in *VE Holding*. Although corporate defendants still could move to dismiss for improper venue, such motions are futile under controlling Federal Circuit caselaw, and thus, this outcome cannot be overturned unless and until this Court resuscitates Section 1400(b). Especially because the impact of the flagrant forum shopping included a dramatic increase in cost-of-defense settlements with defendants anxious to avoid the exorbitant cost of patent litigation in an unfriendly forum, the likelihood of any defendant pursuing the issue of proper venue under Section 1400(b) was – and is – remote.

Although defendants can move to transfer venue pursuant to 28 U.S.C. § 1404(a), such motions are committed to the discretion of the district court. *See Stewart Org., Inc. v. Ricoh Corp.*, 487 U.S. 22, 29-30 (1988). Defendants rarely, if ever, challenge venue or denial of motions to transfer venue after entry of final judgment in patent cases (and obviously cannot appeal if they settle instead of incurring the enormous cost and risk of litigating in a hostile or remote district). Rather, on occasion, defendants will challenge the denial of a motion to transfer by filing a mandamus petition to the

Federal Circuit. Proper venue, therefore, arises on appeal, if at all, only in mandamus petitions to the Federal Circuit.

Stated differently, the fact that this petition arises from an unsuccessful mandamus petition concerning venue to the Federal Circuit, as opposed to an appeal after a final judgment, means this petition is not an outlier that can be rejected while the Court awaits a better candidate later. Also, because this petition concerns the purely legal question of the proper scope of the patent venue statute, the higher standards applicable to Federal Circuit mandamus decisions is immaterial to the resolution of that question. *Cf. In re Heartland LLC*, 821 F.3d at 1341 (mandamus standard).

To be clear, motions to transfer venue under Section 1404(a), and then mandamus petitions to the Federal Circuit from denial of those motions to transfer venue, are not an adequate substitute for the proper interpretation of Section 1400(b). "[T]he most popular current destinations for patent plaintiffs – the Eastern District of Texas and the District of Delaware – both have reputations as districts that are unlikely to grant transfer motions." Anderson, *supra*, 163 U. Pa. L. Rev. at 676 (footnote omitted).

Additionally, courts are slow to act on motions to transfer. *See* Professors' Letter Supporting Venue Reform, *supra*, at 2 ("The average grant of transfer in [E.D. Tex.] took over a year (490 days), and the average denial of a transfer motion took 340 days, meaning

that even cases that are ultimately transferred remain pending in the district for nearly a year.") (brackets added and footnote omitted). Because motions to transfer (and motions to dismiss, for that matter) do not automatically stay discovery or litigation, defendants routinely settle their cases to avoid the high cost of patent litigation rather than wait a year or more for a ruling on even meritorious motions to transfer or dismiss. *Cf.* Klerman & Reilly, *supra*, 89 S. Cal. L. Rev. at 268-70 (onerous, asymmetrical, discovery requirements imposed on defendants in E.D. Tex.).

If the motion to transfer venue is denied, the Federal Circuit is unlikely to overturn that decision in a mandamus petition. Overall, the Federal Circuit grants only about 10% of the mandamus petitions it considers. *See* Paul R. Gugliuzza, *The New Federal Circuit Mandamus*, 45 Indiana L. Rev. 343, 345-46 (2012). Before 2008, the Federal Circuit had never granted a mandamus petition to overturn a decision denying transfer. *See* Anderson, *supra*, 163 U. Pa. L. Rev. at 676. Following *In re TS Tech USA Corp.*, 551 F.3d 1315 (Fed. Cir. 2008), the Federal Circuit found that the district court (usually the Eastern District of Texas) had clearly abused its discretion in denying a motion to transfer in only 11 cases by 2012, *see* Gugliuzza, *supra*, at 346 (footnote omitted), and since 2012, the Federal Circuit has only granted five such petitions (and none in the last two years). *See In re TOA Techs., Inc.*, 543 Fed. Appx. 1006 (Fed. Cir. 2013); *In re Toyota Motor Corp.*, 747 F.3d 1338 (Fed. Cir. 2014); *In re WMS Gaming Inc.*, 564 Fed. Appx. 579 (Fed. Cir. 2014);

In re Nintendo of Am., 756 F.3d 1363 (Fed. Cir. 2014); *In re Apple, Inc.*, 581 Fed. Appx. 886 (Fed. Cir. 2014). The Federal Circuit has only granted 17 of 54 (31%) of the mandamus petitions concerning denial of venue since 2008. In other words, motions to transfer are decided slowly, if at all; when they are decided, they are usually denied; and in the minority of cases in which the denials of the motions to transfer are challenged in the Federal Circuit, those mandamus petitions are usually denied. Suffice it to say, motions to transfer – vested in the discretion of the trial court – will never be an adequate substitute for a proper application of the patent venue statute, 28 U.S.C. § 1400(b), which was enacted to limit jurisdiction in patent cases. The Federal Circuit's decision to conflate venue with personal jurisdiction should be reviewed by this Court *now* because this petition squarely presents this important, indeed often outcome-determinative, purely legal issue.

The patent venue statute resembles an ancient Mayan city – once a vibrant and imposing structure, it was abandoned years ago, and it now is unrecognizable and crumbling under the weight of the steadily encroaching jungle. The Court should grant the petition to restore the patent venue statute to its former stature, and put a stop to forum shopping in patent cases.

CONCLUSION

Amici Curiae respectfully submit that the Court should grant the petition for a writ of certiorari.

Respectfully submitted,

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IN THE
Supreme Court of the United States

TC HEARTLAND LLC,
d/b/a HEARTLAND FOOD PRODUCTS GROUP,

Petitioner,

v.

KRAFT FOODS GROUP BRANDS LLC,

Respondent.

On Petition for a Writ of Certiorari to the U.S. Court of Appeals for the Federal Circuit

BRIEF OF WASHINGTON LEGAL FOUNDATION AS *AMICUS CURIAE* IN SUPPORT OF PETITIONER

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QUESTION PRESENTED

The patent venue statute, 28 U.S.C. § 1400(b), provides that patent infringement actions "may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business." The statute governing "[v]enue generally," 28 U.S.C. § 1391, has long contained a subsection (c) that, where applicable, deems a corporate entity to reside in multiple judicial districts—including districts in which the defendant lacks "a regular and established place of business."

Respondent filed a patent-infringement suit against Petitioner in the U.S. District Court for the District of Delaware, alleging that Petitioner committed infringing acts throughout the United States, that venue was proper, and that the district court possessed personal jurisdiction over Petitioner with respect to all such acts. It is uncontested that Petitioner is not incorporated in Delaware, nor does it maintain a regular and established place of business within the State. Petitioner challenges the lower courts' determination that venue is proper in Delaware.

The question in this case is precisely the same as the issued decided in *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222 (1957):

Whether 28 U.S.C. § 1400(b) is the sole and exclusive provision governing venue in patent-infringement actions and is not to be supplemented by 28 U.S.C. § 1391(c).

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INTERESTS OF *AMICUS CURIAE*

Washington Legal Foundation (WLF) is a non-profit public interest law firm and policy center with supporters in all 50 states.[1] WLF devotes a substantial portion of its resources to defending free enterprise, individual rights, a limited and accountable government, and the rule of law.

To that end, WLF has regularly appeared before this Court and other federal courts in cases raising important patent-law issues. *See, e.g., SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC*, No. 15-927, *cert. granted*, 136 S. Ct. 1824 (2016); *Kimble v. Marvel Entertainment, LLC*, 135 S. Ct. 2401 (2015). WLF has also frequently appeared in federal and state courts in cases implicating constitutional limitations on the courts' authority to exercise personal jurisdiction over an out-of-state defendant. *See, e.g., Goodyear Dunlop Tires Operations, S.A. v. Brown*, 564 U.S. 915 (2011); *Bristol-Myers Squibb Co. v. Superior Court*, 1 Cal. 5th 783 (2016).

WLF fully supports Petitioner's request that the Court review the Federal Circuit's decision, which construes federal venue statutes so broadly that many nationwide businesses are subject to suit in virtually any federal district court. WLF is writing separately to

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[1] Pursuant to Supreme Court Rule 37.6, WLF states that no counsel for a party authored this brief in whole or in part; and that no person or entity, other than WLF and its counsel, made a monetary contribution intended to fund the preparation or submission of this brief. More than 10 days prior to the due date, counsel for WLF provided counsel for Respondent with notice of its intent to file. All parties have consented to the filing; letters of consent have been lodged with the Court.

focus on the due process issues implicated by that decision. WLF believes that subjecting a patent-infringement defendant to personal jurisdiction in a district located in a State in which it is not incorporated and does not maintain a regular and established place of business raises serious due process concerns, particularly with respect to allegedly infringing activity that lacks any relationship to the forum State.

WLF is concerned that unless courts apply the doctrine of constitutional avoidance to interpret federal venue statutes in the manner urged by Petitioner, the constitutionality of those statutes will be called into serious question as applied to out-of-state defendants. WLF is also concerned that the Federal Circuit, by issuing decisions that disregard this Court's longstanding recognition of strict statutory limits on venue in patent cases, has encouraged rampant forum shopping.

STATEMENT OF THE CASE

Petitioner TC Heartland, LLC ("Heartland") is a limited liability company organized under Indiana law with its principal place of business in that State. It is not registered to do business in Delaware, nor does it maintain a regular or established place of business in that State. Heartland manufactures and sells liquid water enhancer ("LWE") products. None of its customers are located in Delaware; however, two of its customers have directed Heartland to ship LWE products to facilities in Delaware. Those shipments account for about 2% of Heartland's total sales of LWE products.

Respondent Kraft Foods Group Brands LLC ("Kraft") filed suit against Heartland in U.S. District Court for the District of Delaware, alleging that all of Heartland's nationwide sales of LWE products infringe three patents held by Kraft. Heartland filed a motion seeking: (1) to dismiss the complaint for lack of personal jurisdiction; or (2) to transfer venue to the Southern District of Indiana. Heartland argued, *inter alia*, that the District of Delaware is not the judicial district where it "resides" within the meaning of 28 U.S.C. § 1400(b).

In his August 2015 Report and Recommendation, the magistrate judge recommended that the motion be denied. Pet. App. 18a-54a. He concluded that the Delaware court's exercise of personal jurisdiction over Heartland with respect to the 2% of LWE products shipped to Delaware was fair and reasonable—and thus consistent with due process constraints—because Heartland had "deliver[ed] its products into the stream of commerce with the expectation that they [would] be purchased by consumers in the forum State." *Id.* at 25a (quoting *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 297 (1980)).

The magistrate judge also concluded that the district court could properly exercise personal jurisdiction with respect to infringement claims arising from the 98% of Heartland's LWE product sales that bore no relationship to Delaware. *Id.* at 28a-33a. Relying on the Federal Circuit's decision in *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558 (Fed. Cir. 1994), he concluded that Heartland's occasional shipments into Delaware sufficed to satisfy

due process requirements with respect to exercise of personal jurisdiction over Heartland for allegedly infringing sales that lacked any connection to Delaware. *Ibid.*

The magistrate judge also recommended rejecting Heartland's claim that federal law limits venue to either: (1) the Southern District of Indiana; or (2) any district "where the defendant has committed acts of infringement and has a regular and established place of business." Pet. App. 34a-40a (quoting 28 U.S.C. § 1400(b)). Citing *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1974), he concluded that venue was proper in Delaware because Heartland should be deemed a resident of Delaware for purposes of federal venue statutes. *Ibid.* He based that conclusion on: (1) 28 U.S.C. § 1391(c)'s statement that a corporate defendant should be "deemed to reside . . . in any judicial district in which [i]t is subject to the court's personal jurisdiction with respect to the civil action in question"; and (2) his previous conclusion that Heartland was subject to personal jurisdiction in Delaware with respect to non-Delaware infringing sales. *Ibid.*

In September 2015, the district court adopted the magistrate judge's report "in all respects." Pet. App. 13a-17a. It concluded that the Federal Circuit's *VE Holding* decision—not this Court's decision in *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222 (1957)—controlled with respect to the scope of venue in patent-infringement litigation. *Id.* at 16a.

Heartland then timely petitioned the Federal Circuit for a writ of mandamus under 28 U.S.C. § 1651,

which authorizes appellate courts to review whether a district court has wrongly refused to dismiss or transfer a case where venue is improper. *See Hoffman v. Blaski*, 363 U.S. 335, 336-44 (1960). The petition was fully briefed by the parties, and the appeals court conducted oral argument before a three-judge panel.

The Federal Circuit denied the petition. Pet. App. 1a-12a. It declined to follow *Fourco*, explaining that *Fourco*'s narrow interpretation of where a corporation "resides" for purposes of the patent venue statute, 28 U.S.C. § 1400(b), was superseded by a 1988 law. *Id.* at 6a. While *Fourco* held that § 1400(b) did not incorporate 28 U.S.C. § 1391(c)'s broad definition of corporate residence, the appeals court concluded that 1988 amendments to § 1391(c) for the first time "made the definition of corporate residence applicable to patent cases." *Ibid.*

The appeals court also rejected Heartland's personal jurisdiction arguments, which it concluded "were foreclosed by our decision in *Beverly Hills Fan*." *Id.* at 7a. It concluded that invoking the Delaware long-arm statute to exercise personal jurisdiction over Heartland with respect to all allegedly infringing activity, even the 98% of such activity that bore no relationship to Delaware, was consistent with constraints imposed on courts by the Due Process Clause. *Id.* at 7a-8a.

SUMMARY OF ARGUMENT

The patent venue statute provides a patentee a choice of multiple forums within which to sue alleged infringers of its patent. The patentee may sue the

alleged infringer "in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business." 28 U.S.C. § 1400(b).

But Kraft is not satisfied with that range of choices. Ignoring statutory language indicating that an alleged infringer "resides" in one and only one district (*e.g.*, § 1400(b)'s reference to "the" judicial district where the defendant resides), Kraft argues (and the appeals court agreed) that an alleged infringer "resides" in any district within which it is subject to the district court's personal jurisdiction over *any portion* of its infringing activity. Under that broad definition of "resides," a firm that conducts business on a nationwide basis is generally subject to a nationwide patent-infringement lawsuit *in any of the 50 States*—including States in which it has no regular and established place of business. Review is warranted because the Federal Circuit's expansive definition of "resides" cannot be squared with *Fourco* and has led to rampant forum shopping,

Review is also warranted because the appeals court's ruling raises serious constitutional concerns. The ruling interprets federal law as permitting out-of-state defendants to be haled into courts in jurisdictions with which they lack the requisite "minimum contacts," to answer patent-infringement claims. When, as here, a plaintiff relies on state law to assert personal jurisdiction, the Due Process Clause bars the exercise of jurisdiction over nonconsenting, out-of-state defendants unless the suit is brought to enforce "obligations [that] arise out of or are connected with the [defendant's] activities within the state."

International Shoe Co. v. Washington, 326 U.S. 310, 319 (1945). Yet, 98% of the infringement claims that Kraft seeks to adjudicate in a Delaware court have absolutely no connection with the State.

It is a "cardinal principle of statutory interpretation" that "when an Act of Congress raises a serious doubt as to its constitutionality, this Court will first ascertain whether a construction of the statute is fairly possible by which the question may be avoided." *Zadvydas v. Davis*, 533 U.S. 678, 689 (2001). By interpreting § 1400(b)'s phrase "the judicial district where the defendant resides" as referring solely to the alleged infringer's place of incorporation, the courts could avoid the due process concerns described above. Moreover, that construction is "fairly possible," given that this Court adopted that construction of § 1400(b) in *Fourco*. Review is warranted to determine whether the doctrine of constitutional avoidance requires adoption of Heartland's construction of the patent statutes.

REASONS FOR GRANTING THE PETITION

I. REVIEW IS WARRANTED TO RESOLVE THE DIRECT CONFLICT BETWEEN THE DECISION BELOW AND THIS COURT'S PATENT VENUE PRECEDENTS

The Federal Circuit concedes that, at least until 1988, federal law limited venue in patent-infringement litigation against a corporate defendant to federal districts in which: (1) the defendant is incorporated; or (2) the corporation has committed infringing acts *and* has a regular and established place of business. This

Court so held in 1957 in *Fourco*, based on its construction of 28 U.S.C. § 1400(b).[2] Congress adopted § 1400(b) in 1948; the statute has remained unchanged ever since. *Fourco* held that, with respect to a corporation, the phrase "where the defendant resides" means "the state of incorporation only." 353 U.S. at 226.

Fourco rejected the patentee's argument that venue in patent-infringement actions should be understood "to be supplemented by the provisions of 28 U.S.C. § 1391(c)," the general venue statute. The "residence" of a corporation is defined quite broadly under both the 1950's version and the current version of § 1391(c).[3] *Fourco* concluded that Congress intended

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[2] Section 1400(b) states:

> Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.

[3] In 1952, the general venue statute stated, with respect to corporations:

> **§ 1391. Venue generally.**
>
> * * *
>
> (c) A corporation may be sued in any judicial district in which it is incorporated or licensed to do business or is doing business, and such judicial district shall be regarded as the residence of such corporation for venue purposes.

28 U.S.C. § 1391(c) (1952). Congress amended Section § 1391(c) slightly in 1988 and again in 2011. The principal difference

that § 1391(c) should not apply to patent matters and that "§ 1400(b) is the sole and exclusive provision controlling venue in patent infringement actions." *Fourco*, 353 U.S. at 229.

The Federal Circuit contends, however, that Congress radically changed the meaning of § 1400(b) when it amended the language of § 1391(c) in 1988, as described in Footnote 3. In a 1990 decision, the appeals court held that although Congress made no changes in the wording of § 1400(b) in 1988, Congress's amendment to § 1391(c) accomplished what *Fourco* held that the earlier version of § 1391(c) had not accomplished: the incorporation of the general venue statute's broad definition of corporate residency into § 1400(b)'s provision permitting patent-infringement venue "in the judicial district where the defendant resides." *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990). In its decision

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between the initial sentences of the 1952 and 1988 versions was that the phrase "for venue purposes" was moved from the end of the sentence to the beginning. As amended in 1988, the sentence stated:

> For purposes of venue under this chapter, a defendant that is a corporation shall be deemed to reside in any judicial district in which it is subject to personal jurisdiction at the time the action is commenced.

28 U.S.C. § 1391(c) (1988). The 1948, 1988, and 2011 versions of the general venue statute all broadly authorize venue in any district in which a corporation is doing business, at least with respect to business that is related to the litigation (and thus that can subject the corporation to personal jurisdiction within the district).

below, the Federal Circuit reaffirmed *VE Holding* and rejected Heartland's argument that a 2011 amendment to § 1391(c) eliminated any plausible basis for the appeals court's interpretation of § 1400(b). Pet. App. 4a-8a.

Heartland's petition explains in detail why *VE Holding* and the decision below directly conflict both with *Fourco* and with earlier Supreme Court decisions that narrowly interpreted federal statutes governing venue in patent-infringement litigation. *See, e.g.*, Pet. 10-11 (discussing *Stonite Prods. Co. v. Melvyn Lloyd Co.*, 315 U.S. 561 (1942)). WLF will not repeat those arguments here. It suffices to say that WLF fully agrees with Heartland's contention that the conflict between the decisions of the Federal Circuit and this Court warrants plenary review, if not a summary reversal. WLF does, however, wish to focus attention on several points that merit special emphasis.

A. The 1991 Amendments Must Be Considered Within the Context of a Century of Special Rules Governing Patent Venue

Congress adopted a patent venue statute—the predecessor of 28 U.S.C. § 1400(b)—as part of the Act of March 3, 1897, 29 Stat. 695. That statute, § 48 of the Judicial Code, stated that venue for patent-infringement actions existed "in the district of which the defendant is an inhabitant, or in any district in which the defendant, whether a person, partnership, or corporation, shall have committed acts of infringement and have a regular and established place of business."

The Court stated in *Stonite* that Congress adopted § 48 in order to "limit th[e] jurisdiction" of federal district courts over patent-infringement actions. 315 U.S. at 565 n.5. *Stonite* explained that Congress was responding to "abuses engendered by extensive venue" authorized by previous statutes governing federal courts; those statutes had permitted actions (including patent-infringement actions) to be maintained "wherever the defendant could be found." *Id.* at 563.

Congress had adopted a statute in 1887 that sought to impose general limits on venue, but courts responded by expressing uncertainty regarding whether those limitations applied to patent-infringement suits. *Id.* at 564. Congress's purpose in adopting § 48, whose sole subject was venue in patent litigation, was to "eliminate [that] uncertainty" by "defin[ing] the exact jurisdiction of the federal courts in actions to enforce patent rights." *Id.* at 565. The Court concluded, "That purpose indicates that Congress did not intend the Act of 1897 to dovetail with the general provisions relating to the venue in civil suits, but rather that it alone should control venue in patent infringement proceedings." *Id.* at 565-66.

Relying heavily on the legislative history set forth in *Stonite*, the Court in *Fourco* concluded that Congress—when it replaced § 48 with the similarly worded 28 U.S.C. § 2400(b)—once again intended that venue in patent-infringement actions should be governed solely by the patent-specific venue provision, without reference to the general venue statute (28 U.S.C. § 1391(c)), which defined corporate residency more broadly. Given the century-long history of federal

legislation that treated 28 U.S.C. § 1400(b) (and its predecessor, § 48 of the Judicial Code) as "the sole and exclusive provision controlling venue in patent infringement actions," *Fourco*, 353 U.S. at 229, there is no basis for concluding that Congress intended to reverse that history when, in 1988, it amended § 1391(c) slightly while leaving § 1400(b) unchanged.

B. The Federal Circuit's Rationale Was Expressly Rejected by *Fourco*

The Federal Circuit's rationale for incorporating § 1391(c)'s definition of corporate "residence" into § 1400(b) is *the very same rationale* rejected by this Court in *Fourco*. The Federal Circuit concluded that Congress, by including in the 1988 version of § 1391(c) language that broadly defined corporate residence "*for purposes of venue under this chapter*," intended to incorporate that definition within § 1400(b)'s grant of venue "in the judicial district where the defendant resides." Pet. App. 6a. But *Fourco* held that § 1400(b) (which has remained unchanged since 1948) did *not* incorporate § 1391(c)'s broad definition of residence, despite the fact that the 1957 version of § 1391(c) stated that its definition applied "*for venue purposes*." Review is warranted to resolve the conflict between *Fourco* and the decision below, which could not be more stark.

C. Congress Adopted 28 U.S.C. § 1400(b) and Its Predecessor to Curtail Abuses of the Very Sort Fomented by the Decision Below

Stonite concluded that Congress in 1897 adopted the predecessor to § 1400(b) because of its concern over "abuses engendered by" liberal venue statutes, which had allowed patent-infringement defendants to be haled into court "wherever the defendant could be found." 315 U.S. at 563-64. That abuse-prevention rationale counsels strongly in favor of granting the petition. Heartland has ably demonstrated that the Federal Circuit's liberal interpretation of venue rules, under which corporations that conduct business nationwide are subject to patent-infringement claims in all 50 States without regard to whether they have a regular and established place of business there,[4] has fomented similar abuse.

That 44% of all patent-infringement cases are now being filed in a single district can only be explained by the belief among forum-shopping

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[4] Section 1400(b) permits venue in patent-infringement litigation in the judicial district: (1) "where the defendant resides"; or (2) "where the defendant has committed acts of infringement and has a regular and established place of business." The Federal Circuit's construction of the statute renders the second basis for establishing venue largely superfluous. If, as the Federal Circuit held, companies that sell products nationwide "reside" in all 50 States and thus are subject to patent-infringement suits everywhere, it can make no difference (for venue purposes) whether they have "a regular and established place of business" in the forum.

plaintiffs that the U.S. District Court for the Eastern District of Texas is particularly hospitable to patentees' claims. It certainly cannot be attributed to the convenience of that forum, which is home to no more than a handful of the firms that find themselves haled into court there. Such forum shopping is the very sort of "abuse" that, as *Stonite* recognized, Congress sought to guard against when it adopted legislation limiting venue in patent litigation.

II. REVIEW IS WARRANTED BECAUSE THE APPEALS COURT'S CONSTRUCTION OF 28 U.S.C. § 1400(b) RAISES SERIOUS DOUBTS REGARDING THE CONSTITUTIONALITY OF THE STATUTE AS APPLIED TO OUT-OF-STATE CORPORATIONS

The ruling below interprets federal law as permitting out-of-state defendants to be haled into federal court in districts in which they lack the "minimum contacts" that the Due Process Clause requires before a court may exercise personal jurisdiction over them. For example, the ruling below permits a Delaware court to exercise personal jurisdiction over claims that Heartland infringed three patents held by Kraft, even though 98% of those claims bear no relationship whatsoever to Delaware. Because the Federal Circuit's interpretation of § 1400(b) raises serious doubts about the constitutionality of that statute as applied to out-of-state corporations, review is warranted to determine whether the constitutional question can be avoided by adopting a plausible alternative reading of the statute.

A. When, as Here, the Exercise of Personal Jurisdiction Is Grounded in State Law, the Due Process Clause Imposes Strict Limits on the Exercise of Such Jurisdiction

"Federal courts ordinarily follow state law in determining the bounds of their jurisdiction over persons." *Daimler AG v. Bauman*, 134 S. Ct. 746, 753 (2014) (citing Fed.R.Civ.P. 4(k)(1)(A)). That is certainly true in this case; Kraft has no plausible claim the Delaware district court may assert personal jurisdiction over Heartland on the basis of *federal* law.[5]

Under Delaware's long-arm statute, Delaware state courts (and, accordingly, the U.S. District Court for the District of Delaware as well) may exercise personal jurisdiction on virtually any basis not inconsistent with the U.S. Constitution.[6] However, as

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[5] Federal law—which in appropriate circumstances may supplement state law in authorizing a federal court's exercise of personal jurisdiction, *see* Fed.R.Civ.P. 4(k)(2)—provides that "a patent infringement action [may be] commenced in a district where the defendant is not a resident but has a regular and established place of business" and that service of process may be made upon the defendant's "agent or agents conducting such business." 28 U.S.C. § 1694. But Kraft has never attempted to rely on that jurisdictional provision, nor could it—because Heartland does *not* have "a regular and established place of business" in Delaware.

[6] Delaware's long-arm statute reaches quite broadly, authorizing state courts to exercise personal jurisdiction over any nonresident who, *inter alia*, "Transacts any business or performs any character of work or services in the State," "Contracts to supply services or things in this State," or "Causes tortious injury

this Court has repeatedly reminded, the Fourteenth Amendment's Due Process Clause imposes strict limits on the authority of a state court to exercise personal jurisdiction over out-of-state defendants. *See, e.g., J. McIntyre Machinery, Ltd. v. Nicastro*, 564 U.S. 873, 881 (2011) (plurality) ("[T]hose who live or operate primarily outside a State have a due process right not to be subjected to judgment in its courts as a general matter."). Those limitations serve both to protect litigants from inconvenient or distant litigation and to recognize limits on the sovereignty of each State with respect to affairs arising in other States. *World-Wide Volkswagen*, 444 U.S. at 293.

The Court has consistently held that a state court may not exercise personal jurisdiction over an out-of-state defendant simply because the defendant has engaged in continuous and systematic activities within the State. Rather, personal jurisdiction also requires a showing that the defendant's activities are sufficiently connected to the claim. *See, e.g., Daimler*, 134 S. Ct. at 757 ("a corporation's 'continuous activity of some sort within a state is not enough to support the demand that the corporation be amenable to suits unrelated to that activity'") (quoting *Int'l Shoe*, 326 U.S. at 318); *Shaffer v. Heitner*, 433 U.S. 186, 204 (1977) ("the central concern of the inquiry into personal jurisdiction" is "the relationship among the defendant, the forum, *and the litigation*") (emphasis added). As *Daimler* explained, personal jurisdiction may not be exercised over nonresident defendants based on claims

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in the State by an act or omission in this State." 10 Del. C. § 3104(c).

"having nothing to do with anything that occurred or had its principal impact in" the forum state. *Daimler*, 134 S. Ct. at 762.

A defendant is generally required to answer any and all claims asserted in its "home" jurisdiction, even if the claim bears no relationship to the jurisdiction. The Court refers to an assertion of personal jurisdiction where the defendant is "at home" as an exercise of "general jurisdiction." *Goodyear*, 564 U.S. at 919. *Daimler* made plain, however, that an assertion of general jurisdiction over a corporation can be sustained in only two places: the State in which a corporation maintains its principal place of business and the State of incorporation. 134 S. Ct. at 760. In *Daimler*, the Court rejected the plaintiffs' request that it approve "the exercise of general jurisdiction in every State in which a corporation engages in a substantial, continuous, and systematic course of business," characterizing the plaintiffs' proposed formulation as "too grasping." *Id.* at 761.

It is undisputed that Heartland is not subject to general jurisdiction in Delaware. It is not incorporated in Delaware, nor does it maintain its principal place of business in the State. Thus, for the Delaware district court to properly exercise personal jurisdiction over Heartland with respect to each of the patent-infringement claims asserted by Kraft, it must do so on the basis of "specific jurisdiction"—that is, a showing that each claim "arises out of or relates to the defendant's contacts with the forum." *Id.* at 754.

B. The District Court Lacks Specific Jurisdiction over the 98% of Kraft's Infringement Claims that Do Not Relate to Heartland's Contacts with Delaware

For a court to exercise personal jurisdiction consistent with due process, "the defendant's suit-related conduct must create a substantial connection with the forum State." *Walden v. Fiore*, 134 S. Ct. 1115, 1121 (2014). Kraft can demonstrate the requisite minimum contacts with respect to its claims that Heartland shipped infringing LWE products to Delaware. While those shipments were relatively small and amounted to less than 2% of Heartland's total sales of the products, the Delaware-shipment claims allege a "substantial connection" between Delaware and the alleged patent infringement. Those claims arguably are adequate to allege that Heartland "deliver[ed] its products into the stream of commerce with the expectation that they [would] be purchased by consumers in the forum State." *World-Wide Volkswagen*, 444 U.S. at 298.

But the complaint is not limited to claims based on allegedly infringing acts with a connection to Delaware. Kraft also alleges that Heartland infringed its patents by manufacturing LWE products in Indiana and selling them in States other than Delaware. Those claims—which encompass more than 98% of Heartland's LWE product sales—bear absolutely no relationship to Delaware. Accordingly, specific jurisdiction cannot serve as a justification for the district court's exercise of personal jurisdiction over

those claims. It is true that Heartland has some contacts with Delaware—not only its small shipments of LWE products to Delaware at the request of customers not located in Delaware but also shipments to Delaware of other, non-infringing products of various kinds. But those contacts cannot justify an expansive exercise of specific jurisdiction because they bear no relationship to the claims at issue: the claims that Heartland infringed the patent by manufacturing LWE products and selling them in other States.

Patent law has long understood that each alleged infringement of a patent gives rise to a separate cause of action. *See, e.g., Hazelquist v. Guchi Moochie Tackle Co.*, 437 F.3d 1178, 1180 (Fed. Cir. 2006); *E.I. du Pont de Nemours & Co. v. MacDermid Printing Sols., L.L.C.*, 525 F.3d 1353, 1362 (Fed. Cir. 2008). While a claim that a defendant sold an infringing product in California may raise one or more issues of fact that are common to issues of fact raised by a claim that the defendant also sold an infringing product in Delaware, they remain separate causes of action for which the plaintiff will need to submit separate evidence. Specific jurisdiction is limited to claims for which the defendant's forum contacts "gave rise to the liabilities sued on." *Daimler*, 134 S. Ct. at 754. Because Heartland's contacts with Delaware quite clearly did not "g[i]ve rise to" claims alleging that Heartland manufactured and sold infringing products outside of Delaware, specific jurisdiction cannot justify the district court's exercise of jurisdiction over those out-of-state claims.

In holding that Heartland's small number of LWE shipments to Delaware were sufficient to establish personal jurisdiction over Heartland with respect to infringement claims arising in the other 49 States and lacking any connection with Delaware, the Federal Circuit relied on its 1994 *Beverly Hills Fan* decision. Pet. App. 10a. But that decision is a relic of the pre-*Daimler* era, in which many federal courts of appeals permitted large corporations to be sued in any State in which they maintained a substantial presence.

Beverly Hills Fans concluded that nationwide jurisdiction over patent-infringement claims (in any district in which alleged infringement occurred) was warranted because it would "provid[e] a forum for efficiently litigating plaintiff's cause of action." 21 F.3d at 1568. But this Court has never permitted efficiency considerations to trump due process constraints on the exercise of personal jurisdiction. Those constraints impose firm limits on the authority of courts to exercise jurisdiction over claims and defendants that lack a sufficient connection to the forum:

> Even if the defendant would suffer minimal or no inconvenience from being forced to litigate before the tribunals of another State; even if the forum State has a strong interest in applying its laws to the controversy; even if the forum state is the most convenient location for litigation, the Due Process Clause, acting as an instrument of interstate federalism, may sometimes act to divest the State of its power to render a valid judgment.

World-Wide Volkswagen, 444 U.S. at 294.

Moreover, the Federal Circuit's rationale overlooks that there will always be some jurisdictions—perhaps many jurisdictions—in which a patentee can sue an alleged infringer for all infringing activity without regard to where it occurred. *Daimler* makes clear that a defendant will be subject to general jurisdiction in both its State of incorporation and the State in which it maintains its principal place of business. Moreover, Congress has established personal jurisdiction—for patent-infringement claims arising anywhere in the United States—in any district in which the defendant "is not a resident but has a regular and established place of business." 28 U.S.C. § 1694.

Thus, Kraft could have asserted its nationwide patent-infringement claims against Heartland not only in the Southern District of Indiana but also in any jurisdiction in which it could establish that Heartland maintains "a regular and established place of business." But because it is undisputed that Heartland does *not* maintain a regular and established place of business in Delaware, the district court lacks specific jurisdiction over any of Kraft's infringement claims other than the claims arising from the 2% of Heartland's LWE products that were shipped into Delaware.

C. Review Is Warranted to Determine Whether the Doctrine of Constitutional Avoidance Requires that 28 U.S.C. § 1400(b)'s Reference to Corporate Residence Be Interpreted Narrowly

It is a "cardinal principle of statutory interpretation" that "when an Act of Congress raises a serious doubt as to its constitutionality, this Court will first ascertain whether a construction of the statute is fairly possible by which the question may be avoided." *Zadvydas v. Davis*, 533 U.S. 678, 689 (2001). That doctrine provides that "where a statute is susceptible of two constructions, by one of which grave and doubtful constitutional questions arise and by the other of which such questions are avoided," a court's "duty is to adopt the latter." *Jones v. United States*, 526 U.S. 227, 239 (1999).

As demonstrated above, the Federal Circuit's interpretation of § 1400(b)—whereby corporations that sell products nationwide are subject to patent-infringement suits in all 50 states because they are deemed to "reside" in any State to which they ship infringing products—raises serious constitutional concerns. As so construed, the statute authorizes violation of a defendant's due process rights whenever it is applied to sanction the exercise of personal jurisdiction by a district court over an out-of-state corporation that lacks a regular and established place of business within the district. These serious constitutional concerns provide an additional reason to grant review. By granting review, the Court can

determine whether the construction of § 1400(b) urged by Heartland is "fairly possible" and thus required by the doctrine of constitutional avoidance.

Moreover, the petition amply demonstrates that Heartland's experience is not unique. The Federal Circuit's holding regarding where a corporation "resides" for purposes of § 1400(b) has led to hundreds of corporations being haled into federal district courts to answer patent-infringement claims over which the courts lack personal jurisdiction.

This widespread violation of due process rights has been most pronounced in the Eastern District of Texas, where 44% of all patent-infringement lawsuits were filed last year.[7] Many corporations that sell their products nationwide do not maintain regular and established places of business in the district—hardly a surprising fact given the district's largely rural character. The Eastern District's Divisions are located in the cities of Beaumont, Lufkin, Marshall, Sherman, Texarkana, and Tyler, Texas. The population of none of those cities exceeds 120,000, and only two have a population exceeding 40,000. Yet, because virtually all large corporations that sell their products nationwide sell a not-insubstantial number of products within the Eastern District, the Federal Circuit's interpretation of § 1400(b)—that the statute incorporates § 1391(c)'s definition of corporate residence—subjects those

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[7] Of the 5,830 patent-infringement lawsuits filed in federal district courts in 2015, 2,540 (43.6%) were filed in the Eastern District. Brian Howard, *Lex Machina 2015 End-of-Year Trends* (Jan. 7, 2016).

corporations to patent-infringement litigation in the district. Moreover, in accordance with Federal Circuit precedent, courts within the Eastern District exercise personal jurisdiction over *all* infringement claims asserted against corporate defendants, not simply those claims arising from infringing sales within the Eastern District.

The constitutional concerns that arise from the Federal Circuit's interpretation of §§ 1400(b) and 1391(c) can be avoided if the Court grants review and adopts the alternative interpretation urged by Heartland. Under that interpretation, a corporation "resides" (for purposes of § 1400(b)) in the district in which it is incorporated. As so interpreted, the statute provides that venue lies: (1) in the district in which the alleged infringer is incorporated; or (2) in any district in which it has committed acts of infringement and has a regular and established place of business. Adopting that interpretation would eliminate the constitutional concerns raised by the Federal Circuit's interpretation. Establishing venue in the district in which the defendant is incorporated is consistent with the due process limits on general jurisdiction established by *Daimler*; and establishing venue in a district in which the defendant has committed acts of infringement and has a regular and established place of business is consistent with due process because it is authorized by a federal statute (28 U.S.C. § 1694) governing the distribution of cases within the unified federal court system.

The interpretation urged by Heartland qualifies as "fairly possible" for purposes of applying the

doctrine of constitutional avoidance. That conclusion is self-evident in light of *Fourco* (in which the Court interpreted § 1400(b) precisely as urged by Heartland) and *Stonite* (in which the Court interpreted § 1400(b)'s predecessor statute in a like manner). In sum, the constitutional concern raised by the Federal Circuit's interpretation of § 1400(b) provides an additional ground for granting the petition in order to determine whether the Federal Circuit erred in rejecting *Fourco* and thereby vastly expanding venue in patent-infringement actions.

CONCLUSION

The Court should grant the Petition.

Respectfully submitted,

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October 5, 2016

RECORD AND BRIEFS

FILED
[PUBLIC] JAN 30 2017
OFFICE OF THE CLE
SUPREME COURT, U

No. 16-341

IN THE

Supreme Court of the United States

TC HEARTLAND, LLC D/B/A HEARTLAND FOOD PRODUCTS GROUP,

Petitioner,

v.

KRAFT FOODS GROUP BRANDS LLC,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

JOINT APPENDIX

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PETITION FOR CERTIORARI FILED SEPTEMBER 12, 2016
CERTIORARI GRANTED DECEMBER 14, 2016

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RELEVANT DOCKET ENTRIES FROM THE U.S. DISTRICT COURT DISTRICT OF DELAWARE (WILMINGTON) CIVIL DOCKET FOR CASE #: 1:14-CV-00028-LPS

Date Filed	#	Docket Text
01/14/2014	1	COMPLAINT filed with Jury Demand against Heartland Packaging Corporation, TC Heartland LLC - Magistrate Consent Notice to Pltf. (Filing fee $ 400, receipt number 311-1440599.) - filed by Kraft Foods Group Brands LLC. (Attachments: # 1 Exhibit A, # 2 Exhibit B, # 3 Exhibit C, # 4 Civil Cover Sheet) (dmp,) (Entered: 01/14/2014)
01/14/2014	2	Notice, Consent and Referral forms re: U.S. Magistrate Judge jurisdiction. (dmp,) (Entered: 01/14/2014)
		* * *
05/07/2014	5	AFFIDAVIT of Service for Summons and Complaint served on TC Heartland, LLC d/b/a Heartland Food Products Group and Heartland Packaging Corporation on May 1, 2014, filed by Kraft Foods Group Brands

LLC. (Attachments: # 1 Exhibit A — Affidavit of Frederick L. Cottrell, III)(Cottrell, Frederick) (Entered: 05/07/2014)

* * *

06/23/2014	7	MOTION to Dismiss for Lack of Jurisdiction Over the Person, MOTION to Transfer Case to Southern District of Indiana - filed by Heartland Packaging Corporation, TC Heartland LLC. (Attachments: # 1 Proposed Order)(Graham, Mary) (Entered: 06/23/2014)
06/23/2014	8	OPENING BRIEF in Support re 7 MOTION to Dismiss for Lack of Jurisdiction Over the Person MOTION to Transfer Case to Southern District of Indiana filed by Heartland Packaging Corporation, TC Heartland LLC. Answering Brief/Response due date per Local Rules is 7/10/2014. (Graham, Mary) (Entered: 06/23/2014)
06/23/2014	9	DECLARATION re 8 Opening Brief in Support, 7 MOTION to Dismiss for Lack of Jurisdiction Over the Person MOTION to Transfer Case to Southern District of Indiana // *Teodor Gelov Declaration* by Heartland Packaging

Corporation, TC Heartland LLC. (Graham, Mary) (Entered: 06/23/2014)

* * *

09/05/2014 20 [SEALED] ANSWERING BRIEF in Opposition re 7 MOTION to Dismiss for Lack of Jurisdiction Over the Person MOTION to Transfer Case to Southern District of Indiana filed by Kraft Foods Group Brands LLC. Reply Brief due date per Local Rules is 9/15/2014. (Attachments: # 1 Exhibit A, # 2 Exhibit 1-7 to Exhibit A, # 3 Exhibit 8, Part 1 to Exhibit A, # 4 Exhibit 8, Part 2 to Exhibit A, # 5 Exhibit 9-11 to Exhibit A, # 6 Exhibit 12-13 to Exhibit A)(Cottrell, Frederick) (Entered: 09/05/2014)

* * *

10/14/2014 26 REPLY BRIEF re 7 MOTION to Dismiss for Lack of Jurisdiction Over the Person MOTION to Transfer Case to Southern District of Indiana filed by Heartland Packaging Corporation, TC Heartland LLC. (Graham, Mary) (Entered: 10/14/2014)

* * *

Appendix A

08/13/2015	59	REPORT AND RECOMMENDATIONS Recommending Denial of D.I. 7 MOTION to Dismiss for Lack of Jurisdiction Over the Person; MOTION to Transfer Case to Southern District of Indiana filed by Heartland Packaging Corporation, TC Heartland LLC. Please note that when filing Objections pursuant to Federal Rule of Civil Procedure 72(b)(2), briefing consists solely of the Objections (no longer than ten (10) pages) and the Response to the Objections (no longer than ten (10) pages). No further briefing shall be permitted with respect to objections without leave of the Court. Objections to R&R due by 8/31/2015. Signed by Judge Christopher J. Burke on 8/13/2015. (aer) (Entered: 08/13/2015)

* * *

09/24/2015	80	MEMORANDUM ORDER re 59 REPORT AND RECOMMENDATION is ADOPTED and 7 MOTION to Dismiss is DENIED. Signed by Judge Leonard P. Stark on 9/24/15. (ntl) (Entered: 09/24/2015)

* * *

10/23/2015	101	NOTICE OF DOCKETING in the Federal Circuit re petition for writ of mandamus — Case No. 16-105. (ntl) (Entered: 10/23/2015)

* * *

11/18/2015	114	MOTION to Stay *Pending Inter Partes Review and Motion for Modification of Scheduling Order Pending Decision on Motion for Stay* - filed by Kraft Foods Group Brands LLC. (Attachments: # 1 Exhibit 1 - Text of Proposed Order Staying Litigation, # 2 Exhibit 2 - Text of Proposed Order Extending Deadlines)(Cottrell, Frederick) (Entered: 11/18/2015)

* * *

12/07/2015	134	[SEALED] ANSWERING BRIEF in Opposition to *Kraft's Motion to Stay Pending Inter Partes Review* 114 filed by Heartland Packaging Corporation, TC Heartland LLC. Reply Brief due date per Local Rules is 12/17/2015. (Attachments: # 1 Exhibits 1-7)(Graham, Mary) Modified on 12/8/2015 (ntl). (Entered: 12/07/2015)

* * *

12/21/2015	149	ORAL ORDER: For reasons stated on the teleconference today, IT IS HEREBY ORDERED that 114 motion to stay is DENIED. ORDERED by Judge Leonard P. Stark on 12/21/15. (ntl) (Entered: 12/21/2015)

* * *

07/08/2016	333	ORDER dismissing claims. Signed by Judge Leonard P. Stark on 7/8/2016. (rpg) (Entered: 07/08/2016)

* * *

11/28/2016	426	ORDER re 425 MOTION for Dismissal of Certain Claims filed by Kraft Foods Group Brands LLC. Signed by Judge Leonard P. Stark on 11/28/16. (ntl) (Entered: 11/28/2016)

* * * *

Appendix A

RELEVANT DOCKET ENTRIES FROM THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT, NO. 2016-105

Date Filed	#	Docket Text
		* * *
10/23/2015	2	PETITION of Petitioner TC Heartland LLC Petition for Writ of Mandamus pursuant to Fed. R. App. P. 21 [Consent: opposed]. Service: 10/23/2015 by email, US mail. [283180]
		* * *
11/09/2015	27	RESPONSE of Respondent Kraft Foods Group Brands LLC to the motion Petition for Writ of Mandamus [2] filed by Petitioner TC Heartland LLC in 16-105. Service: 11/09/2015 by email, clerk. [287491]
		* * *
11/16/2015	32	REPLY of Petitioner TC Heartland LLC to response filed by Respondent in 16-105, Doc. No [27]. Service: 11/16/2015 by email. [289246]

11/16/2015	33	AMICUS BRIEF FILED for Guy Fielder, Paul Morinville, Network-1 Technologies, Inc., Neurografix, Jon D. Paul, Scientific Telecommunications, LLC and US Inventor, Inc. [31]. Number of Pages: 14. Service: 11/16/2015 by email. Pursuant to ECF-10, filer is directed to file six copies of the brief in paper format. The paper copies of the brief should be received by the court on or before 11/23/2015. [289521]

* * *

12/08/2015	39	AMICUS BRIEF FILED for Electronic Frontier Foundation, Engine Advocacy and Public Knowledge [9]. Number of Pages: 10. Service: 10/29/2015 by US mail, email. Pursuant to ECF-10, filer is directed to file six copies of the brief in paper format. The paper copies of the brief should be received by the court on or before 12/14/2015. [294563]

* * *

12/08/2015	41	AMICUS BRIEF FILED for ASUS Computer International, Acushnet Company, *et al.* [22]. Number of Pages: 13. Service: 11/06/2015 by email. Paper copies of amicus brief were received 12/02/2015. [294589]

Appendix A

* * *

01/15/2016	46	ORDER filed scheduling oral argument. Oral argument will be held on Friday, March 11, 2016 at 2:00 p.m.. By: Merits Panel (Per Curiam). Service as of this date by Clerk of Court. [303150]

* * *

04/29/2016	57	PRECEDENTIAL ORDER filed denying [2] Petition for Writ of Mandamus filed by TC Heartland LLC. Service as of this date by Clerk of Court. [330607]
07/20/2016	58	Notice from the Supreme Court of the United States, application for extension of time within which to file petition for writ of certiorari granted - deadline 09/12/2016. [352327]
09/20/2016	59	Petition for writ of Certiorari filed on 09/12/2016 in the Supreme Court of the United States. Supreme Court #: 16-341, TC Heartland LLC v. Kraft Foods Group Brands LLC. [367687]
12/16/2016	60	The petition for writ of certiorari, [16-341], filed on 09/12/2016, was Granted on 12/14/2016. [391908]

APPENDIX B — COMPLAINT FILED IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF DELAWARE, FILED JANUARY 14, 2014

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

C. A. No.

KRAFT FOODS GROUP BRANDS LLC,

Plaintiff,

v.

TC HEARTLAND, LLC D/B/A HEARTLAND FOOD PRODUCTS GROUP,

-and-

HEARTLAND PACKAGING CORPORATION,

Defendants.

JURY TRIAL DEMANDED

COMPLAINT

Plaintiff Kraft Foods Group Brands LLC ("Kraft") for its Complaint against Defendants TC Heartland, LLC and Heartland Packaging Corporation (collectively referred to herein as "Heartland"), alleges as follows:

Appendix B

THE PARTIES

1. Kraft is a corporation organized and existing under the laws of the State of Delaware with its principal place of business at 3 Lakes Drive, Northfield, IL 60093. Kraft does business in this State through manufacturing facilities and products sold.

2. TC Heartland, LLC d/b/a Heartland Food Products Group is a corporation organized and existing under the laws of the State of Indiana and, upon information and belief, has a principal place of business at 14300 Clay Terrace Blvd., Suite 249, Carmel, Indiana 46032.

3. Heartland Packaging Corporation is a corporation organized and existing under the laws of the State of Indiana and, upon information and belief, has a principal place of business at 14300 Clay Terrace Blvd., Ste. 249, Carmel, Indiana, 46032.

JURISDICTION

4. This Court has subject matter jurisdiction pursuant to 28 U.S.C. §§ 1331 and 1338(a) because this action arises under the patent laws of the United States, including 35 U.S.C. § 271, *et seq.*

5. The Court has personal jurisdiction over Heartland because Heartland has sold and offered for sale products that infringe Kraft's patents in this State and in this District, thereby causing injury to Kraft in this judicial district, and has otherwise generally subjected itself to

jurisdiction by general sales of products in this State and in this District.

VENUE

6. Venue is proper in this District pursuant to 28 U.S.C. §§1391(b),(c) and 1400(b).

THE PATENTS

7. On October 23, 2012, United States Letters Patent No. 8,293,299 ("the '299 Patent") entitled "Containers and Methods for Dispensing Multiple Doses of a Concentrated Liquid, and Shelf Stable Concentrated Liquids," was duly and legally issued to Kraft as the assignee of the named inventors. Since that date, Kraft has been the owner of the '299 Patent. A true and correct copy of the '299 Patent is attached to this Complaint as Exhibit A.

8. On August 20, 2013, United States Letters Patent No. 8,511,472 ("the '472 Patent") entitled "Containers Having Perforated Shrink Wrap Sleeves," was duly and legally issued to Kraft as the assignee of the named inventors. Since that date, Kraft has been the owner of the '472 Patent. A true and correct copy of the '472 Patent is attached to this Complaint as Exhibit B.

9. On December 10, 2013, the United States Letters Patent No. 8,603, 557 ("the '557 Patent") entitled "Containers and Methods for Dispensing Multiple Doses of a Concentrated Liquid and Shelf Stable Concentrated Liquids," was duly and legally issued to Kraft as the

assignee of the named inventors. Since that date, Kraft has been the owner of the '557 Patent. A true and correct copy of the '557 Patent is attached to this Complaint as Exhibit C.

COUNT 1 - INFRINGEMENT OF U.S. PATENT NO. 8,293,299

10. Kraft incorporates by reference the allegations set forth in paragraphs I through 9 as if fully rewritten herein.

11. On information and belief, Heartland is infringing the '299 Patent by manufacturing, using, offering to sell and selling products that infringe the '299 Patent including, but not limited to, products under the Refreshe label, including, *inter alia*, Refreshe Fruit Punch Drink Enhancer.

12. On information and belief, Heartland's foregoing acts of infringement have been and continue to be willful and deliberate.

13. Kraft has been damaged, in an amount to be determined, by Heartland's acts of infringement and will continue to be damaged by such acts in the future.

COUNT 2 - INFRINGEMENT OF U.S. PATENT NO. 8,511,472

14. Kraft incorporates by reference the allegations set forth in paragraphs 1 through 13 as if fully rewritten herein.

15. On information and belief, Heartland is infringing the '472 Patent by manufacturing, using, offering to sell and selling products that infringe the '472 Patent including, but not limited to, products under the Refreshe label, including, *inter alia*, Refreshe Fruit Punch Drink Enhancer.

16. On information and belief, Heartland's foregoing acts of infringement have been and continue to be willful and deliberate.

17. Kraft has been damaged, in an amount to be determined, by Heartland's acts of infringement and will continue to be damaged by such acts in the future.

COUNT 3 - INFRINGEMENT OF U.S. PATENT NO. 8,603,557

18. Kraft incorporates by reference the allegations set forth in paragraphs 1 through 17 as if fully rewritten herein.

19. On information and belief, Heartland is infringing the '557 Patent by manufacturing, using, offering to sell and selling products that infringe the '557 Patent including, but not limited to, products under the Refreshe label, including, *inter alia*, Refreshe Fruit Punch Drink Enhancer.

20. On information and belief, Heartland's foregoing acts of infringement have been and continue to be willful and deliberate.

21. Kraft has been damaged, in an amount to be determined, by Heartland's acts of infringement and will continue to be damaged by such acts in the future.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff Kraft prays for judgment and seeks relief against Defendants TC Heartland, LLC and Heartland Packaging Corporation as follows:

(a) For judgment that the '299 Patent, the '472 Patent and the '557 Patent have been infringed by TC Heartland, LLC and Heartland Packaging Corporation;

(b) For preliminary and permanent injunctions enjoining the aforesaid acts of infringement by TC Heartland, LLC and Heartland Packaging Corporation, their officers, agents, servants, employees, subsidiaries and attorneys, and those persons acting in concert with TC Heartland, LLC and Heartland Packaging Corporation, including related individuals and entities, customers, representatives, dealers and distributors;

(c) For an award of actual damages;

(d) For an award of pre-judgment and post-judgment interest, according to proof;

(e) For an award of enhanced damages pursuant to 35 U.S.C. § 284;

(f) For an award of attorney fees pursuant to 35 U.S.C. § 285 or as otherwise permitted by law;

(g) For all costs of suit; and

(h) For such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMAND

Pursuant to Rule 38(b) of the Federal Rules of Civil Procedure, Kraft demands a trial by jury of all issues triable of right by jury.

/s/ Frederick L. Cottrell, III
Frederick L. Cottrell, III (#2555)
Anthony G. Flynn Jr. (#5750)
Richards, Layton & Finger
One Rodney Square
920 North King Street
Wilmington, Delaware 1980 I
(302) 651-7700
cottrell@rlf.com
flynn@rlf.com
Attorneys for Plaintiff
Kraft Foods Group Brands LLC

Dated: January 14,2014

APPENDIX C — AFFIDAVIT OF MAILING FILED IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF DELAWARE, FILED MAY 7, 2014 (EXHIBITS OMITTED)

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

C.A. No. 14-28-LPS

KRAFT FOODS GROUP BRANDS LLC,

Plaintiff,

v.

TC HEARTLAND, LLC D/B/A HEARTLAND FOOD PRODUCTS GROUP AND HEARTLAND PACKAGING CORPORATION

Defendants.

JURY TRIAL DEMANDED

AFFIDAVIT OF MAILING PURSUANT TO 10 *DEL. C.* § 3104 BY FREDERICK L. COTTRELL, III

I, Frederick L. Cottrell, III, first being duly sworn according to law do depose and say:

1. I am an attorney for Plaintiff Kraft Food Group Brands LLC ("Plaintiff").

2. Upon my knowledge and belief, Defendant TC Heartland, LLC d/b/a Heartland Foods Products Group is a corporation organized and existing under the laws of the State of Indiana and has a principal place of business at 14300 Clay Terrace Blvd., Suite 249, Carmel, Indiana, 46032.

3. Upon my knowledge and belief, Defendant Heartland Packaging Corporation is a corporation organized and existing under the laws of the State of Indiana and has a principal place of business at 14300 Clay Terrace Blvd., Suite 249, Carmel, Indiana, 46032.

4. On May 1, 2014, services of the Complaint and Summons for non-resident Defendants was delivered by certified mail, return receipt requested, to both Defendants at the address indicated above.

5. I received the return receipts from the United States Post Office. I have attached hereto as Exhibit 1 the receipt for certified mail and return receipts (i.e., the green cards) indicating Defendants' receipt of the Summons and Complaint in Indiana on May 1, 2014.

/s/_____
Frederick L. Cottrell, III (#2555)
cottrell@rlf.com

SWORN TO AND SUBSCRIBED before me, a Notary Public, this 7th day of May, 2014.

/s/_____
Notary Public

APPENDIX D — PROOF OF SERVICE FILED IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF DELAWARE, FILED MAY 7, 2014

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

C. A. No. 14-28-LPS

KRAFT FOODS GROUP BRANDS LLC,

Plaintiff,

v.

TC HEARTLAND, LLC D/B/A HEARTLAND
FOOD PRODUCTS GROUP

-and-

HEARTLAND PACKAGING CORPORATION

Defendants.

JURY TRIAL DEMANDED

PROOF OF SERVICE OF COMPLAINT UPON DEFENDANTS TC HEARTLAND, LLC d/b/a HEARTLAND FOOD PRODUCTS GROUP AND HEARTLAND PACKAGING CORPORATION PURSUANT TO *DEL. C.* § 3104

Appendix D

Plaintiff Kraft Foods Group Brands LLC hereby provides proof of service of the Summons and Complaint upon Defendants TC Heartland, LLC d/b/a Heartland Food Products Group and Heartland Packaging Corporation pursuant to 10 *Del. C.* § 3104 by filing the return receipts of certified mail. Attached as Exhibit A is the affidavit of Frederick L. Cottrell, III, Esquire, stating that the non-resident Defendants were served with the notice required by and pursuant to 10 *Del. C.* § 3104, and the return receipts were received. The receipt for certified mail and return receipts are attached as Exhibit 1 to the Affidavit.

/s/ Frederick L. Cottrell, III
Frederick L. Cottrell, III (#2555)
Anthony G. Flynn Jr. (#5750)
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cottrell@rlf.com
flynn@rlf.com

Attorneys for Plaintiff
Kraft Foods Group Brands LLC

Dated: May 7, 2014

APPENDIX E — DECLARATION OF TEODOR GELOV FILED IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF DELAWARE, DATED JUNE 23, 2014

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

C.A. No. 1:14-cv-00028-LPS

KRAFT FOODS GROUP BRANDS LLC,

Plaintiff,

v.

TC HEARTLAND, LLC D/B/A HEARTLAND FOOD PRODUCTS GROUP

and

HEARTLAND PACKAGING CORPORATION

Defendants.

DECLARATION OF TEODOR GELOV

1. My name is Teodor Gelov. I am Chief Executive Officer of TC Heartland, LLC doing business as Heartland Food Products Group ("TC Heartland"). My business address is 14300 Clay Terrace Blvd., Suite 249, Carmel, Indiana 46032. I have held my current position with Heartland since the formation of the company in 2004. I have personal knowledge of the matters stated in this declaration.

2. TC Heartland manufactures and sells zero calorie sweeteners, liquid water enhancers, and certain other food products. A description of TC Heartland's business may be found at the company's website, www.heartlandfpg.com. The other company named above, Heartland Packaging Corporation, is an inactive Indiana corporation that ceased business operations some years ago and so far as I know is defunct. Heartland Packaging Corporation formerly made and sold portion control packaging; it never sold liquid water enhancers

3. TC Heartland's is a limited liability company organized and existing under the laws of the State of Indiana. TC Heartland's headquarters are located in Carmel, Indiana. TC Heartland develops, tests, and manufactures the subject liquid enhancer products in Carmel and at a facility located in Indianapolis, Indiana.

4. TC Heartland is not registered to do business in Delaware.

5. TC Heartland does not have any offices located in Delaware.

6. TC Heartland does not have any employees located in Delaware.

7. TC Heartland does not own or lease any real property in Delaware.

8. TC Heartland does not have any sales representatives in Delaware.

9. TC Heartland does not have any agents in Delaware.

10. TC Heartland does not engage in any advertising activities in Delaware.

11. TC Heartland does not engage in any marketing activities in Delaware.

12. TC Heartland does not have any distributors in Delaware.

13. TC Heartland has not entered into any supply contracts in Delaware.

14. TC Heartland does not have any bank accounts in Delaware.

15. TC Heartland does not have any mailing address in Delaware.

16. TC Heartland does not have any telephone number in Delaware.

17. TC Heartland does not call on any accounts in Delaware to solicit sales.

18. TC Heartland does not have any supply contracts governed by Delaware law.

19. TC Heartland has contracts with two national accounts which are headquartered outside of Delaware. From time to time, those accounts place orders with TC

Heartland in Indiana and specify that Heartland should ship purchased products to distribution facilities that the accounts maintain in Delaware. All such shipments are made by placing the purchased product with a common carrier that picks up the product at TC Heartland's manufacturing facility in Indianapolis. In one case, the buyer pays the freight; in the other, TC Heartland pays the freight.

20. In the year ending December 31, 2013, more than 99% of TC Heartland's total sales and more than 98% of TC Heartland's liquid water enhancer sales were shipped to destinations located outside of Delaware.

21. In the year ending December 31, 2013, 100% of TC Heartland's sales, including sales of liquid water enhancer products, were made under contracts entered into outside of Delaware, under non-Delaware law.

22. TC Heartland makes and bottles certain liquid water enhancer products for third parties, which the third parties then market and sell. One such product is the REFRESHE line of liquid water enhancers which TC Heartland makes and bottles for Safeway Inc. of Pleasanton, California. TC Heartland does not itself market or sell REFRESHE liquid water enhancer and has no license to do so. REFRESHE is a Safeway brand. TC Heartland makes and bottles REFRESHE liquid water enhancer according to specifications provided by Safeway, and sells and delivers the finished product exclusively to Safeway at destinations that do not include Delaware.

Appendix E

23. In marketing or selling liquid water enhancer products TC Heartland has never, to my knowledge, engaged in activities in Delaware with intent to invoke or benefit from the protection of Delaware law with respect to such activity.

24. The individuals who are knowledgeable of TC Heartland's formulation and development of its water enhancer products include former employees of TC Heartland who reside in the vicinity of Indianapolis.

25. The design and concept of the bottles in which TC Heartland packages the subject water enhancer products was developed by individuals who reside in the vicinity of Indianapolis.

26. Kraft Foods has long has a physical presence in Indiana. Kraft Foods currently operates a manufacturing facility in Kendallville, Indiana.

27. Coca Cola Company also manufactures liquid water enhancers in Indiana under, as of now, the Dasani, Minute Maid and PowerAde brands.

I, Teodor Gelov, hereby declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information, and belief.

Dated: Carmel, Indiana
June 23, 2014.

/s/_____
Teodor Gelov

APPENDIX F — HEARTLAND'S OPENING BRIEF FILED IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF DELAWARE, DATED JUNE 23, 2014

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

C.A. No. 14-028 (LPS)

KRAFT FOODS GROUP BRANDS LLC,

Plaintiff,

v.

TC HEARTLAND, LLC D/B/A HEARTLAND FOOD PRODUCTS GROUP AND HEARTLAND PACKAGING CORPORATION,

Defendants.

HEARTLAND'S OPENING BRIEF IN SUPPORT OF ITS MOTION TO DISMISS CLAIMS FOR LACK OF PERSONAL JURISDICTION AND FOR TRANSFER OF VENUE TO THE SOUTHERN DISTRICT OF INDIANA

June 23, 2014

[TABLES INTENTIONALLY OMITTED]

Appendix F

NATURE AND STAGE OF THE PROCEEDINGS

This is an action for alleged patent infringement. In a complaint filed January 14, 2014, Plaintiff Kraft Foods Group Brands LLC ("Kraft") alleges that Defendants TC Heartland, LLC ("TC Heartland") and Heartland Packaging Corporation ("Heartland Packaging") have infringed and are infringing three Kraft patents by making, using, offering to sell, and selling certain liquid water enhancer products. (D.I. 1). On May 1, 2014, the United States Postal Service delivered to TC Heartland and Heartland Packaging in Carmel, Indiana, copies of Kraft's complaint in this action and summonses commanding TC Heartland and Heartland Packaging to appear in this Court or else suffer entry of judgment by default. (D.I. 5-1).

In view of recent Supreme Court decisions which limit specific jurisdiction to causes of action that arise from "an 'activity or an occurrence that takes place in the forum State,'" *Walden v. Fiore*, 134 S. Ct. 1115, 1121 n.6 (2014) (quoting *Goodyear Dunlop Tires Operations, S.A. v. Brown*, 131 S. Ct. 2846, 2851 (2011)), Defendants now move for an Order dismissing Kraft's complaint insofar as it seeks relief for alleged acts of patent infringement that have occurred or are occurring outside of Delaware, which is to say, more than 98% of the making, using, selling, or offering acts which the complaint characterizes as patent infringement. Defendants also move for an Order transferring the venue of this action to the Southern District of Indiana, which alone has personal jurisdiction to adjudicate the entire controversy between the parties. This is Heartland's opening brief in support of its motion.

Appendix F

SUMMARY OF THE ARGUMENT

Under Federal Rule of Civil Procedure 4(k)(1)(A), the mailing of summonses to Defendants in Indiana established personal jurisdiction over them only if, and to the extent that, the Defendants were "subject to the jurisdiction of a court of general jurisdiction in the state where the district court is located." Defendants are both Indiana corporate entities; they do not have any ties, connections, or relations with Delaware as could justify requiring Defendants to appear and defend the lawfulness of manufacturing and other activities that have no substantial connection with Delaware. Transfer of venue is warranted, for only in Indiana are Defendants subject to personal jurisdiction with respect to the entirety of the controversy that Kraft's complaint alleges. Transfer of venue to Indiana also accords with historical norms in patent infringement actions. *See Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222, 228–29 (1957) (holding that the special patent venue statute, 28 U.S.C. § 1400(b), takes precedence over the general venue statute, 28 U.S.C. § 1391).

STATEMENT OF FACTS

A. Kraft and Its Claims Against Heartland

Kraft is a Delaware corporation with its principal place of business in Northfield, Illinois. Kraft's complaint alleges that Defendants are infringing three United States patents owned by Kraft: (1) U.S. Patent No. 8,293,299 entitled "Containers and Methods for Dispensing

Multiple Doses of a Concentrated Liquid, and Shelf Stable Concentrated Liquids;" (2) U.S. Patent No. 8,511,472 entitled "Containers Having Perforated Shrink Wrap Sleeves;" and (3) U.S. Patent No. 8,603,557 entitled "Containers and Methods for Dispensing Multiple Doses of a Concentrated Liquid and Shelf Stable Concentrated Liquids."

Kraft alleges that Defendants infringe each of the three patents by "manufacturing, using, offering to sell and selling products that infringe . . . including, but not limited to, products under the Refreshe label, including, *inter alia*, Refreshe Fruit Punch Drink Enhancer." (D.I. 1 at ¶¶ 11, 15, 19). TC Heartland manufactures and bottles REFRESHE® fruit punch drink enhancer in Indiana for Safeway Inc. of Pleasanton, California. (Declaration of Teodor Gelov, sworn to June 23, 2014 ("Gelov Decl.") ¶ 22). Kraft seeks monetary and injunctive relief for Heartland's alleged infringements throughout the nation.

B. Defendants' Lack of Substantial Ties, Connections, or Relations With Delaware

TC Heartland is a limited liability company organized and existing under the laws of the State of Indiana, having its principal place of business in Carmel, Indiana, a suburb of Indianapolis (Gelov Decl. ¶ 3). TC Heartland develops, tests, and manufactures the subject products in Carmel and at a facility located in Indianapolis (*id.*). TC Heartland's business includes the manufacture and sale of zero calorie sweeteners, liquid water enhancers, and certain other food products, including the REFRESHE®

product that TC Heartland makes and bottles for Safeway (Gelov Decl. ¶ 2, 22).[1]

TC Heartland is not registered to do business in Delaware and has no office, property, employees, agents, distributors, bank accounts, or other local presence in Delaware (Gelov Decl. ¶ 4–9, 12, 14, 17). TC Heartland has no Delaware telephone number or mailing address (Gelov Decl. ¶ 15–16). TC Heartland does not engage in any advertising or marketing activities in Delaware and does not call on any accounts in Delaware to solicit sales (Gelov Decl. ¶ 10–11, 17). TC Heartland has not entered into any supply contracts in Delaware and does not have any supply contracts governed by Delaware law (Gelov Decl. ¶ 13, 18).

TC Heartland has contracts with two national accounts (both headquartered outside of Delaware) which, from time to time, place orders with TC Heartland in Indiana and specify that Heartland should ship purchased water enhancer products to distribution facilities that the accounts maintain in Delaware (Gelov Decl. ¶ 19). All such shipments are made by placing the purchased product with a common carrier that picks up the product at TC Heartland's manufacturing facility in Indianapolis (*id.*). In the year ending December 31, 2013, more than 98% of TC Heartland's sales of liquid water enhancer products were shipped to destinations located outside of Delaware (Gelov Decl. ¶ 20). In the year ending December 31, 2013,

1. Heartland Packaging is an inactive Indiana corporation that ceased business years ago and never sold liquid water enhancers of any kind (Gelov Decl. ¶ 2). It is not mentioned further.

100% of TC Heartland's sales of liquid water enhancer products were made under contracts entered into outside of Delaware, under non-Delaware law (Gelov Decl. ¶ 21).

In making liquid water enhancer products in Indiana, and in marketing and selling those products to persons outside of Delaware (and more than 98% of the time, also shipping the sold products to non-Delaware destinations), TC Heartland has not engaged in activities in Delaware with any intent to invoke or benefit from the protection of Delaware law with respect to those activities (Gelov Decl. ¶ 23).

ARGUMENT

I. THE COURT LACKS PERSONAL JURISDICTION OVER KRAFT'S CLAIMS ARISING FROM NON-DELAWARE ACTIVITIES OR OCCURRENCES.

Kraft alleges that TC Heartland has infringed Kraft patents by "manufacturing, using, offering to sell and selling" certain "products" including REFRESHE® fruit punch drink enhancer that TC Heartland manufactures and bottles in Indianapolis, Indiana for Safeway Inc. of Pleasanton, California. (D.I. 1 ¶¶ 11, 15, 19). On its face, Kraft's complaint asserts claims that arise from activities or occurrences that have no connection with Delaware whatsoever; and this reality is rendered no less so by the happenstance that *some* of the claims asserted by Kraft might arise from activities or occurrences in Delaware and *might arguably* be ones that TC Heartland could lawfully be required to defend in Delaware.

Appendix F

"Our case law clearly states that each act of patent infringement gives rise to a separate cause of action." *Hazelquist v. Guchie Moochie Tackle Co.*, 437 F.3d 1178, 1180 (Fed. Cir. 2006). *Accord E.I. du Pont de Nemours & Co. v. MacDermid Printing Solutions, L.L.C.*, 525 F.3d 1353, 1362 (Fed. Cir. 2008) ("we have held that each act of infringement gives rise to a separate cause of action."). *See also Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962, 1969 (2014) ("Each time an infringing work is reproduced or distributed, the infringer commits a new wrong. Each wrong gives rise to a discrete 'claim' that 'accrue[s]' at the time the wrong occurs.").

So here, the complaint characterizes as alleged patent infringement, and seeks relief with respect to, "manufacturing" activities occurring in Indiana and "selling" and "offering" and "using" activities occurring in California and other non-Delaware locations. Under Federal Rule of Civil Procedure 4(k), the Court lacks personal jurisdiction to adjudicate Kraft's claims arising from these non-Delaware activities. *Cf. Sears, Roebuck & Co. v. Sears plc*, 752 F. Supp. 1223, 1227 (D. Del. 1990) (Latchum, J.) (where Delaware activity did not "set in motion" an alleged infringement occurring outside of Delaware, personal jurisdiction was lacking to adjudicate infringement claims arising from non-Delaware activity even though personal jurisdiction did exist with respect to the defendant's alleged in-state infringements).

"Before a federal court may exercise personal jurisdiction over a defendant, the procedural requirement of service of summons must be satisfied." *Omni Capital*

Int'l, Ltd. v. Rudolf Wolff & Co., 484 U.S. 97, 104 (1987). There is no federal statute that authorizes service of originating process in patent cases, so Federal Rule of Civil Procedure 4(k)(1)(C) does not apply. TC Heartland is subject to personal jurisdiction in Indiana, so Federal Rule of Civil Procedure 4(k)(2) does not apply. TC Heartland is not a party "joined under Rule 14 and 19," so Federal Rule of Civil Procedure 4(k)(1)(B) does not apply. That leaves, as the sole basis for personal jurisdiction in this case, Federal Rule of Civil Procedure 4(k)(1)(A), which states that service of a summons "establishes personal jurisdiction over a defendant . . . who is subject to the jurisdiction of a court of general jurisdiction in the state where the district court is located." As set forth below, a quartet of recent Supreme Court decisions makes clear that a Delaware state court could not rightly exercise personal jurisdiction over the vast bulk of the activity that Kraft's complaint challenges as alleged patent infringement.

In *Goodyear Dunlop Tires Operations, S.A. v. Brown*, 131 S. Ct. 2846 (2011), the Supreme Court held that the State of North Carolina lacked personal jurisdiction to hear a claim against a non-resident tire manufacturer arising from a tire blow-out that occurred outside the state, where the defendant manufacturer's connections with North Carolina were not such as to make it "at home" in that state. *Id.* at 2857. This was so, the Court held, even though the defendant corporation allegedly made regular sales of tires in North Carolina. *Id.* at 2857 n.6. The Court stated: "even regularly occurring sales of a product in a State do not justify the exercise of personal jurisdiction over a claim unrelated to those sales." *Id.*

Appendix F

In *J. McIntyre Machinery, Ltd. v. Nicastro*, 131 S. Ct. 2780 (2011), the Supreme Court held that the State of New Jersey lacked personal jurisdiction to hear a claim against a nonresident manufacturer arising from the use of an allegedly defective machine made by the defendant, where the defendant manufacturer had not "engage[d] in any activities in New Jersey that reveal[ed] an intent to invoke or benefit from the protection of its laws." *Id.* at 2791 (plurality opinion). The defendant in *Nicastro* "had no office in New Jersey; it neither paid taxes nor owned property there; and it neither advertised in, nor sent any employees to, the State." *Id.* at 2790. Six Justices held that the facts were insufficient to support a conclusion that the defendant manufacturer had "purposefully avail[ed] itself of the privilege of conducting activities within the forum." *Id.* at 2787 (quoting *Hanson v. Denckla*, 357 U.S. 235, 253 (1958)); *id.* at 2792 (Breyer, J., concurring in the judgment). All of the Justices agreed that "specific" personal jurisdiction is limited to claims that arise from "the defendant's activities touching on the State." *Id.* at 2788; *id.* at 2797–98 (Ginsburg, J., dissenting).

In *Daimler AG v. Bauman*, 134 S. Ct. 746 (2014), the Supreme Court held that a federal district court in California lacked personal jurisdiction to hear claims against a non-resident vehicle manufacturer arising from allegedly wrongful acts that occurred outside the state, where the defendant's connections with California were not such as to make it "at home" in that state. *Id.* at 751 (quoting *Goodyear*, 131 S. Ct. at 2851). This was so, the Court held, even if the defendant's U.S. subsidiary, Mercedes-Benz USA, LLC ("MBUSA"), were deemed to

be "at home in California" and even if the U.S. subsidiary's California contacts were deemed "imputable to" the defendant. *Id.* at 760. The defendant corporation was not itself "at home" in California and thus could not be sued there on claims "having nothing to do with anything that occurred or had its principal impact in California." *Id.* at 762.

Finally, in *Walden v. Fiore*, 134 S. Ct. 1115 (2014), the Supreme Court held that a federal district court in Nevada lacked personal jurisdiction to hear a claim arising from an allegedly wrongful detention of the plaintiffs' property that occurred in Georgia, the effects of which detention were alleged to have adversely affected the plaintiffs in Nevada. "For a State to exercise jurisdiction consistent with due process," the *Walden* Court held, "the defendant's suit-related conduct must create a substantial connection with the forum state." *Id.* at 1121. "'Specific' or 'case-linked' jurisdiction 'depends on an 'affiliatio[n] between the forum and the underlying controversy' (*i.e.*, an 'activity or an occurrence that takes place in the forum State and is therefore subject to the State's regulation')." *Id.* at 1121 n.6 (quoting *Goodyear*, 131 S. Ct. at 2851). The alleged tort committed by the *Walden* defendant was held, as a matter of law, to have created no such "substantial connection" or "affiliation" between himself and Nevada.

With regard to the plaintiffs' contention that the *Walden* defendant's allegedly wrongful conduct had caused them injury in Nevada, the Court stated: "Regardless of where a plaintiff lives or works, an injury is jurisdictionally relevant only insofar as it shows that the defendant has

formed a contact with the forum State." *Id.* at 1125. "The proper question is not where the plaintiff experienced a particular injury or effect but whether the defendant's conduct connects him to the forum in a meaningful way." *Id.* The wrongful detention of the *Walden* plaintiffs' property did not establish a substantial or meaningful connection with Nevada, the Court reasoned, merely because the plaintiffs chose to be in Nevada when they desired to use the allegedly wrongfully seized property. *Id.* The plaintiffs would have experienced the same alleged injury in "California, Mississippi, or wherever else they might have traveled and found themselves wanting more money than they had." *Id.* This point distinguished the *Walden* defendant's conduct from that of the defendants in *Keeton v. Hustler Magazine, Inc.*, 465 U.S. 770 (1984), and *Calder v. Jones*, 465 U.S. 783 (1984), where libelous articles were published in the forum States and affected the plaintiffs' reputations in the minds of readers of the publications. In the case of libel, the Court reasoned, the tort actually occurs *in* the forum State by virtue of the injurious effects the publication had on the minds of readers in the forum state. *Walden*, 134 S. Ct. at 1124.

Measured against the legal standards articulated and applied in *Walden*, *Bauman*, *Nicastro*, and *Goodyear*, not to mention the Supreme Court's seminal decision in *Shaffer v. Heitner*, 433 U.S. 186 (1977), it is clear that the Court lacks personal jurisdiction to hear virtually all, if not all, of the claims that Kraft has asserted in this action. Under *Nicastro*, it is highly doubtful whether TC Heartland can rightly be deemed to have "purposefully avail[ed] itself of the privilege of conducting activities

within" Delaware (131 S. Ct. at 2787–88 (quoting *Hanson*, 357 U.S. at 253)), even with respect to the liquid water enhancer products that certain national, non-Delaware accounts have occasionally instructed TC Heartland to ship to Delaware destinations under the terms of master supply contracts solicited and entered into between TC Heartland and those accounts outside of Delaware, under non-Delaware law.

But even assuming, for purposes of argument, that the Court had personal jurisdiction to hear Kraft's claims arising from use or consumption of TC Heartland-manufactured products in Delaware, the Supreme Court's recent decisions in *Walden*, *Bauman*, and *Goodyear* make abundantly clear that the Court lacks personal jurisdiction to hear Kraft's claims arising from TC Heartland's manufacturing, using, offering, or selling liquid water enhancer products *outside* of Delaware. *Cf. Sears*, 752 F. Supp. at 1227–30 (alleged in-State infringement did not establish personal jurisdiction to hear claim arising from alleged infringement arising from activity outside of Delaware, even though same alleged intellectual property was being asserted).

Like the defendants in *Goodyear* and *Bauman*, TC Heartland has no physical or other presence in Delaware as could justify TC Heartland being deemed to be "at home" in Delaware, *Bauman*, 134 S. Ct. at 762, such that TC Heartland could be rightly sued here on claims arising from the allegedly wrongful manufacture of TC Heartland products in Indiana or the allegedly wrongful sale, offering for sale, or use of those products in, say, Alaska.

Appendix F

Like the defendant in *Walden*, TC Heartland's alleged infringement of Kraft patents outside of Delaware (*e.g.*, by selling products made in Indiana to customers in California or Arkansas) does not establish any substantial connection between TC Heartland and Delaware. The Plaintiff's status as a Delaware corporation has no more jurisdictional significance here than did the plaintiff's Nevada residence in *Walden* or the Delaware residence of the shareholder's derivative suit plaintiff in *Shaffer*, 433 U.S. at 213–17 (defendant's status as a director of a Delaware corporation was insufficient to justify personal jurisdiction over an alleged breach of fiduciary duty committed by him in Arizona).

In *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558, 1568 n.21 (Fed. Cir. 1994), the court suggested in dictum that a non-resident defendant could be required to defend claims arising from alleged acts of patent infringement occurring outside the forum state, without regard for whether the defendant was "at home" in the forum, *Bauman*, 134 S. Ct. at 762, and without regard for whether the acts were "subject to the [forum] State's regulation." *Walden*, 134 S. Ct. at 1121 n.6 (quoting *Goodyear*, 131 S. Ct. at 2851). As support for this assertion, the *Beverly Hills Fan* decision cited the same two libel cases, *Keeton* and *Calder*, that the *Walden* court distinguished en route to rejecting an effect-based theory of personal jurisdiction analogous to the one the *Beverly Hills Fan* decision suggested in dictum. The *Walden* decision effectively overrules this aspect of *Beverly Hills*

Fan,[2] and returns the law to the state it was in when Judge Latchum decided the *Sears* case, 752 F. Supp. at 1227–30.

II. THIS ACTION SHOULD BE TRANSFERRED TO THE SOUTHERN DISTRICT OF INDIANA.

28 U.S.C. § 1400(b) provides:

> Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.

As used in 28 U.S.C. § 1400(b), the term "resides" has long been held to refer to a person's *domicile*, which in the case of a corporation "mean[s] the state of incorporation only." *Fourco*, 353 U.S. at 226 (citing *Shaw* v. *Quincy Mining Co.*, 145 U.S. 444 (1892)). *See Brunette Mach. Works, Ltd.* v. *Kockum Indus., Inc.*, 406 U.S. 706, 707 n.2 (1972) ("the residence of a corporation for purposes of [§] 1400(b) is its place of incorporation"). In *Fourco*, the Supreme Court expressly held: "28 U.S.C. § 1400(b) is the sole and exclusive provision controlling venue in patent infringement actions, and . . . it is not to be supplemented by the provisions of 28 U.S.C. § 1391(c)." 353 U.S. at 229.

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2. It is probably not a coincidence that, within a short time following the issuance of the *Beverly Hills Fan* decision, patent plaintiffs began flocking to the Eastern District of Texas.

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In *VE Holding Corp.* v. *Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990), the Federal Circuit held that a 1988 amendment of § 1391(c)[3] had purportedly overruled the *Fourco* decision and, without comment, had abruptly rendered § 1400(b) a dead letter insofar as corporate defendants are concerned; however, in 2011, Congress repealed the text of § 1391(c) that the *VE Holding* court had interpreted. As amended by the Federal Courts Jurisdiction and Venue Clarification Act of 2011, § 202, Pub. L. No. 112-63, 125 Stat. 758, 763 (2011), 28 U.S.C. § 1391(c) was completely rewritten and now provides, insofar as is relevant here, that: "For all venue purposes . . . an entity with the capacity to sue and be sued in its common name under applicable law, whether or not incorporated, shall be deemed to reside, if a defendant, in any judicial district in which such defendant is subject to the court's personal jurisdiction *with respect to the civil action in question* . . . ." 28 U.S.C. § 1391(c)(2) (emphasis added). The italicized language was newly added in 2011, and effectively restores § 1400(b) to its traditional role.

As noted above, TC Heartland clearly *is not* subject to the Court's personal jurisdiction "with respect to *the civil action* in question." 28 U.S.C. § 1391(c)(2) (emphasis added). "The civil action" here is defined by a complaint which, as to more than 98% of the allegedly infringing activity, asserts claims that arise from transactions and

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3. At the time of the *VE Holding* decision, then-existing 28 U.S.C. § 1391(c) (1988) had provided in part: "For purposes of venue under this chapter, a defendant that is a corporation shall be deemed to reside in any judicial district in which it is subject to personal jurisdiction at the time the action is commenced."

events that have no connection to Delaware whatsoever. Current 28 U.S.C. § 1391(c)(2) prescribes a definition of "resides" that, wholly aside from the history of § 1400(b) and the Supreme Court's reasoning in *Fourco*, is not met here even assuming that amended § 1391(c)(2) were rightly interpreted as informing the meaning of "resides" in § 1400(b), which it is not.

28 U.S.C. § 1406(a) provides that, when a case is filed in the "wrong division or district," the district court "shall dismiss, or if it be in the interest of justice, transfer such case to any district or division in which it could have been brought." 28 U.S.C. § 1404(a) further provides that "[f]or the convenience of parties and witnesses, in the interest of justice, a district court may transfer any civil action to any other district or division where it might have been brought or to any district or division to which all parties have consented."

Section 1404(a) is "intended to vest district courts with broad discretion to determine, on an individualized, case-by-case basis, whether convenience and fairness considerations weigh in favor of transfer." *Zazzali v. Swenson*, 852 F. Supp. 2d 438, 447 (D. Del. 2012) (quoting *Jumara v. State Farm Ins. Co.*, 55 F.3d 873, 883 (3d Cir. 1995)). The Court must analyze "all relevant factors," and is not bound by a "definitive formula or list." *Zazzali*, 852 F. Supp. 2d at 448.

Transfer to the Southern District of Indiana is warranted, as only there can the entire controversy between the parties be adjudicated. *Cf. Kerotest Mfg.*

Appendix F

Co. v. C-O-Two Fire Equip. Co, 342 U.S. 180, 183 (1952) (second filed action in Illinois permitted to proceed, in part because Delaware court lacked personal jurisdiction over a part of the controversy). TC Heartland and its defunct affiliate, Heartland Packaging, are both domiciled in Indiana, meaning that the district court in Indianapolis has general personal jurisdiction over both Defendants and can adjudicate the entirety of the civil action commenced by Kraft's complaint. Transfer of this action to the Southern District also comports with historical norms and the clear intent of Congress reflected in the special patent venue statute, 28 U.S.C. § 1400(b), which has long been interpreted by the Supreme Court as limiting the venue of actions for patent infringement.

In addition to being the one place where the entire controversy between the parties may be adjudicated, the Southern District of Indiana is a logistically convenient forum for both parties. Not only is the Southern District of Indiana the location of TC Heartland's principal place of business and the principal place of the events giving rise to this suit and related evidence, it is significantly closer than Delaware to Kraft's own principal place of business in Northfield, Illinois, which is roughly a three-hour and fifteen-minute drive from Indianapolis. Kraft also maintains a manufacturing facility in Indiana (Gelov Decl. ¶ 26). Coca Cola Company also makes liquid water enhancers in Indiana, *id.* ¶ 27, and is likely to employ individuals who may be called as third-party witnesses knowledgeable as to the state of the liquid water enhancer art at relevant times.

Given the logistical advantages of litigating this matter in Indiana and the lack of connection between approximately 98% of the acts at issue and Delaware, it would be a waste of judicial resources for this Court to stretch to assert personal jurisdiction over Kraft's claims arising from the approximately 2% of TC Heartland's liquid water enhancer sales volume that non-Delaware parties have purchased and instructed be shipped to Delaware destinations, when transfer to the more convenient Indiana forum would avoid any questions of personal jurisdiction and permit certain adjudication of the entire controversy stated in Kraft's complaint. *Cf. A.L. Rowan & Son, Gen. Contractors, Inc. v. Dep't of Hous. & Urban Dev.*, 611 F.2d 997, 1001 (5th Cir. 1980) (mandating transfer from district court with jurisdiction over only one of two claims: "since only the Court of Claims can exercise jurisdiction over the entire case, we deem it in the interests of justice to transfer both of the claims . . . to the Court of Claims"); *Virgin Wireless Inc. v. Virgin Enters. Ltd.*, 201 F. Supp. 2d 294, 299 (D. Del. 2002) (dismissing case against one defendant for lack of personal jurisdiction and transferring remaining claims to forum of a related case in which that defendant had submitted to jurisdiction).

CONCLUSION

For the reasons stated above, Heartland submits that the Court should issue an Order (i) dismissing Kraft's complaint insofar as it seeks relief in this Court for acts of manufacturing, using, offering for sale, or selling of TC Heartland liquid water enhancer products that have

occurred or are occurring outside of Delaware; and (ii) transferring venue of this action to the Southern District of Indiana pursuant to 28 U.S.C. §§ 1404(a) and 1406(a).

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June 23, 2014

APPENDIX G — REPLY BRIEF IN SUPPORT OF HEARTLAND'S MOTION TO DISMISS CLAIMS FILED IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF DELAWARE, FILED OCTOBER 14, 2014

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

C.A. No. 14-028 (LPS)(CJB)

KRAFT FOODS GROUP BRANDS LLC,

Plaintiff,

v.

TC HEARTLAND, LLC D/B/A HEARTLAND FOOD PRODUCTS GROUP AND HEART-LAND PACKAGING CORPORATION,

Defendants.

REPLY BRIEF IN SUPPORT OF HEARTLAND'S MOTION TO DISMISS CLAIMS FOR LACK OF PERSONAL JURISDICTION AND FOR TRANSFER OF VENUE TO THE SOUTHERN DISTRICT OF INDIANA

October 14, 2014

[TABLES INTENTIONALLY OMITTED]

Appendix G

INTRODUCTION

The special patent venue statute, 28 U.S.C. § 1400(b), has long been held to be "the sole and exclusive provision controlling venue in patent infringement actions." *Schnell v. Peter Eckrich & Sons, Inc.*, 365 U.S. 260, 262 (1961) (quoting *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222, 229 (1957)). Section 1400(b) traces to the Act of March 3, 1897, ch. 395, 29 Stat. 695, 695–96 (the "1897 Act"). The 1897 Act was passed to abrogate the very venue rule that Kraft now advances, namely, one that permits patent infringement actions to be brought "in any district in which a defendant could be served." *Schnell*, 365 U.S. at 262. *See Brunette Mach. Works, Ltd. v. Kockum Indus., Inc.*, 406 U.S. 706, 712–13 (1972) (describing history and purpose of 1897 Act); *Stonite Prods. Co. v. Melvin Lloyd Co*, 315 U.S. 561, 563–66 (1942) (same). Faced with the very venue argument Kraft makes now, the Supreme Court in *Fourco* held that § 1400(b) "is not to be supplemented by the provisions of 28 U.S.C. § 1391(c)." 353 U.S. at 229. A contrary holding would have completely defeated the purpose of § 1400(b) and contravened basic canons of statutory construction. *Id.* at 228–29.

Under longstanding precedent, "the residence of a corporation for purposes of § 1400(b) is its place of incorporation." *Brunette*, 406 U.S. at 707 n.2. Section 1400(b) thus limits venue in patent infringement actions to districts (i) located in the state where a defendant is incorporated, or (ii) in which the defendant has "committed acts of infringement and has a regular and established place of business." 28 U.S.C. § 1400(b). Here

it is undisputed that Heartland is not incorporated in Delaware and has no regular or established place of business in Delaware.

In its one-page discussion of § 1400(b), Kraft does not even argue that § 1400(b) permits venue of this action to be laid in Delaware. Rather, Kraft asserts (Kraft Br. at 13) that venue is proper in this district based on a combination of (i) non-existent language that formerly existed in a repealed, 1988 version of 28 U.S.C. § 1391; and (ii) *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990), a 1990 decision which interpreted the non-existent language in former 28 U.S.C. § 1391 (1988) which Kraft erroneously cites.

In fact, and contrary to Kraft's suggestion, the text of *current* 28 U.S.C. § 1391 is expressly made subject to special venue statutes like § 1400(b). As amended in 2011, § 1391 now begins with a first section (a) headed "Applicability of Section," the text of which states, "*Except as otherwise provided by law*, -- (1) this section shall govern the venue of all civil actions brought in district courts of the United States . . . ." (emphasis added). The current text of § 1391 thus includes the very exception for special venue statutes whose omission from the 1988 version of the statute was the linchpin of the *VE Holding* decision. *See* 917 F.2d at 1579 ("Congress could readily have added 'except for section 1400(b),' if that exception, which we can presume was well known to the Congress, was intended to be maintained."). The Supreme Court has interpreted amended § 1391 in precisely this way. *See Atl. Marine Const. Co. v. U.S. Dist. Ct. for the West. Dist. of*

Tex., 134 S. Ct. 568, 577 n.2 (2013) ("Section 1391 governs 'venue generally,' that is, in cases where a more specific venue provision does not apply. Cf., *e.g.*, § 1400 (identifying proper venue for copyright and patent suits).")).

On its face and as interpreted in *Atlantic Marine*, current § 1391 plainly does not govern this case because a "more specific venue provision" clearly *does* apply here, namely, § 1400(b). Because venue is clearly improper under § 1400(b) and amended § 1391 is inapplicable, it is unnecessary for the court to reach the question of personal jurisdiction. Venue should be transferred to the Southern District of Indiana under 28 U.S.C. § 1406. (Part I, *infra*).

Should the Court nonetheless choose to reach the question of personal jurisdiction, the record is bereft of evidence that Heartland "purposefully directs activities at the forum's residents," *AFTG-TG, LLC v. Nuvoton Tech. Corp.*, 689 F.3d 1358, 1361 (Fed. Cir. 2012), even with respect to liquid water enhancer products that Heartland's non-Delaware based Customer occasionally instructs Heartland to ship to the Customer's distribution center in Delaware. As to the vast majority of the alleged infringements for which Kraft seeks relief (*i.e.*, acts of making, selling, offering to sell, or using liquid water enhancer products *outside* of Delaware), Kraft simply ignores the requirement that specific jurisdiction is limited to claims that arise from "an 'activity or an occurrence that takes place in the forum State'." *Walden v. Fiore*, 134 S. Ct. 1115, 1121 n.6 (2014) (quoting *Goodyear Dunlop Tires Operations, S.A. v. Brown*, 131 S. Ct. 2846, 2851 (2011)). Kraft has identified not even a theory on which,

consistently with *Walden*, the court could rightly exercise personal jurisdiction to hear Kraft's claims arising from use of Heartland products in, say, California. (Part II, *infra*).

ARGUMENT

I. VENUE IS IMPROPER IN THIS DISTRICT

Citing what it calls "the plain language" of 28 U.S.C. § 1391, Kraft asserts that "[a]s a result of *VE Holding*, 28 U.S.C. §1391(c), not 28 U.S.C. §1400(b), controls the venue analysis in a patent infringement context." Kraft Br. at 13. Kraft is wrong. The so-called "plain language" cited by Kraft *was repealed* in 2011. The reasoning of *VE Holding*, even assuming that decision was correctly decided in 1990, actually supports Heartland's position on this motion, not Kraft's.

As previously noted (*see* Heartland Br. at 11), in *VE Holding*, the Federal Circuit held that a 1988 amendment of 28 U.S.C. § 1391 had purportedly overruled *Fourco* and predecessor cases and permitted patent infringement suits to be brought in any district where venue was proper under § 1391, even if § 1400(b) would otherwise bar venue. In reaching this result, *VE Holding* noted that the 1988 text of § 1391 did not contain any exception for special venue statutes like § 1400(b) and, to the contrary, included the broad language, "[f]or purposes of venue under this chapter . . . ." 917 F.2d at 1579, *quoted in* Kraft Br. at 13.

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In 2011, Congress amended § 1391 in three ways relevant to this motion. First, Congress repealed the language, "[f]or purposes of venue under this chapter," on which the *VE Holding* decision had relied. Second, and reinforcing its repeal of the "[f]or purposes of venue under this chapter" language, Congress added a new § 1391(a) headed "Applicability of Section" whose text begins, "*Except as otherwise provided by law* – (1) this section shall govern the venue of all civil actions brought in district courts of the United States . . . ." This second change added the very type of exception whose absence, in 1988, was a second ground on which *VE Holding* had relied. Third, and even as to civil actions governed by § 1391 (which the present action plainly is not, *see Atl. Marine*, 134 S. Ct. at 577 n.2), the definition of "residency" in § 1391 was amended to require that a defendant be subject to the court's personal jurisdiction "with respect to the civil action in question," not merely with respect to some part of the action as Kraft would have it.

As thus amended in 2011, 28 U.S.C. § 1391 excepts § 1400(b) from its reach and thus restores the latter statute as "a special and separate venue statute" which "place[s] patent infringement cases in a class by themselves, outside the scope of general venue legislation." *Brunette*, 406 U.S. at 713. *Atlantic Marine* leaves no doubt that § 1400(b) rather than § 1391 applies to patent cases: "Section 1391 governs 'venue generally,' that is, in cases where a more specific venue provision does not apply. Cf., *e.g.*, § 1400 (identifying proper venue for copyright and patent suits)." *Atl. Marine*, 134 S. Ct. at 577 n.2.

Especially in view of the new "except as otherwise provided by law" preamble, a general statute like 28 U.S.C. § 1391 is not rightly interpreted as nullifying and defeating the purpose of a more specific venue statute like § 1400(b). *Fourco* applied the canon of statutory construction that applies here: "However inclusive may be the general language of a statute, it 'will not be held to apply to a matter specifically dealt with in another part of the same enactment . . . . Specific terms prevail over the general in the same or another statute which otherwise might be controlling." 353 U.S. at 228-29 (quoting *D. Ginsberg & Sons, Inc. v. Popkin*, 285 U.S. 204, 208 (1932)).

The "residence of a corporation for purposes of § 1400(b) is its place of incorporation." *Brunette*, 406 U.S. at 707 n.2. Because Heartland is not incorporated in Delaware and does not have an established place of business in Delaware, § 1400(b) precludes the laying of venue in this district, as it did in *Fourco*, *Schnell*, and *Stonite*. Accordingly, the Court should transfer this action pursuant to 28 U.S.C. § 1406(a) to the Southern District of Indiana. Section 1406(a) provides that, when a case is filed in the "wrong division or district," the district court "shall dismiss, or if it be in the interest of justice, transfer such case to any district or division in which it could have been brought." Under § 1400(b), Indiana, where Heartland is incorporated and has its principal place of business, is a proper forum and the only forum which may hear the entire dispute.

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II. PERSONAL JURISDICTION OVER THIS ACTION IS LACKING

A. General Jurisdiction Is Lacking

Citing *LSI Indus. v. Hubbell Lighting, Inc.*, 232 F.3d 1369 (Fed. Cir. 2000), and other pre-2014 precedents, Kraft argues that Heartland is "subject to personal jurisdiction in this forum because its contacts with Delaware are 'continuous and systematic.'" (Kraft Br. at 11). But *LSI* and the other precedents cited by Kraft are outdated. Under the Supreme Court's decision in *Daimler AG v. Bauman*, 134 S. Ct. 746 (2014), "the inquiry" for purposes of general jurisdiction "is not whether a foreign corporation's in-forum contacts can be said to be in some sense 'continuous and systematic,' it is whether that corporation's affiliations with the State are so 'continuous and systematic' as to render [it] essentially at home in the forum State." *Id.* at 761. *Accord Intellectual Ventures I LLC v. Ricoh Co. Ltd.*, 13-474-SLR, 2014 WL 4748703 at *3 (D. Del. Sept. 12, 2014) (noting that, in *Daimler*, the Supreme Court "rejected as 'unacceptably grasping' an approach to finding jurisdiction wherein a corporation merely 'engages in a substantial, continuous, and systematic course of business [in the forum state]'").

Here it is undisputed that Heartland is an Indiana corporation and has no office, property, employees, agents, distributors, bank accounts, or other local presence in Delaware. By no stretch can Heartland be deemed "at home" in Delaware under *Daimler*. Kraft's assertion of general personal jurisdiction is meritless.

B. Specific Jurisdiction Is Lacking

With regard to the issue of whether the Court has specific jurisdiction to hear this action, Kraft's claims fall into two categories: (i) alleged infringements committed by Heartland or third parties *outside* of Delaware; and (ii) alleged infringements committed by Heartland or third parties inside Delaware. These categories of claims must be separately analyzed, for "each act of patent infringement gives rise to a separate cause of action," *Hazelquist v. Guchi Moochie Tackle Co.*, 437 F.3d 1178, 1180 (Fed. Cir. 2006), and specific personal jurisdiction is limited to claims that arise from an "activity or an occurrence that takes place in the forum State and is therefore subject to the State's regulation." *Walden*, 134 S. Ct. at 1121 n.6 (quoting *Goodyear*, 131 S. Ct. at 2851).

Insofar as Kraft seeks relief with respect to acts of making, using, selling, or offering to sell liquid water enhancer (LWE) products *outside* of Delaware, Kraft's opposition presents no basis on which the Court could rightly exercise specific personal jurisdiction. To the extent that Kraft asserts that Heartland infringed Kraft patents by *making* LWE products, it is undisputed that all such "making" activity occurred in Indiana. Heartland's *making* of LWE products in *Indiana* can by no stretch be characterized as an "act by which [Heartland] purposefully avail[ed] itself of the privilege of conducting activities within the forum State [*i.e.*, Delaware], thus invoking the benefits and protections of its laws." *Hanson v. Denckla*, 357 U.S. 235, 253 (1958).

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Insofar as Kraft alleges that Heartland used, offered to sell, or sold LWE products *outside* of Delaware, or that Heartland allegedly induced or contributed to third party use or sale of LWE products *outside* of Delaware (e.g., in Arizona, California, Colorado, Idaho, Illinois, Kansas, Michigan, New York, Wisconsin), such activity also cannot by any stretch be characterized as acts by which Heartland "purposefully avail[ed] itself of the privilege of conducting activities within the forum State [i.e., Delaware], thus invoking the benefits and protections of its laws." *Hanson*, 357 U.S. at 253. Sales or consumption of LWE products outside of Delaware is also beyond the Court's personal jurisdiction because it is not an "activity or an occurrence that takes place in the forum State and [that] is therefore subject to the State's regulation." *Walden*, 134 S. Ct. at 1121 n.6 (quoting *Goodyear*, 131 S. Ct. at 2851).

Even as to LWE products that Heartland's non-Delaware Customer purchased by submitting purchase orders to Heartland in Indiana and occasionally instructed be shipped from Heartland's Indiana manufacturing facility to a Customer facility in Delaware,[1] or that non-Delaware retailers may have purchased outside of Delaware and, on their own initiative, brought into Delaware, Heartland's acts are not fairly or rightly

1. While Kraft speaks of "at least 2%" (Kraft Br. at 1, 3) of Heartland's allegedly infringing sales as involving shipments to Delaware, Heartland CEO Teodor Gelov's testimony confirmed that the number is less than 2% (Gelov Decl. ¶ 20, Gelov Dep. at 50). Kraft adduced no evidence that Delaware sales are greater than as averred by Mr. Gelov.

characterized as acts by which Heartland "purposefully avail[ed] itself of the privilege of conducting activities within the forum State [i.e., Delaware], thus invoking the benefits and protections of its laws." *Hanson*, 357 U.S. at 253. There is no evidence, or even any allegation, that Heartland's sales to Customer or any other customer were the result of Heartland soliciting or calling on Customer in Delaware or marketing LWE products to Customer in Delaware. There is no evidence that Heartland has advertised or marketed LWE products in Delaware. Rather, the uncontroverted evidence is that all Heartland shipments of LWE products to Delaware were initiated by Customer, under purchase orders submitted to Heartland in Indiana under a non-Delaware contract made between Heartland and Customer outside of Delaware under non-Delaware law.

Filling a non-Delaware customer's drop shipment orders in Indiana simply does not constitute "purposeful direction toward" Delaware, in the sense of case law applying specific jurisdiction principles. *AFTG-TG*, 689 F.3d at 1361 (shipments initiated by third-parties did not evidence "purposeful direction toward" the forum to which the accused products were shipped). It was Customer, not Heartland, which placed the LWE orders and initiated the shipments to itself from Heartland's facility in Indiana, under the terms of a master contract made and entered into outside of Delaware. Heartland's contacts with Delaware here fall far short of the activity that, in *J. McIntyre Machinery, Ltd. v. Nicastro*, 131 S. Ct. 2780 (2011), all of the Justices agreed did not "reveal an intent to invoke or benefit from the protection of [the

forum state's] laws." *Id.* at 2791 (plurality opinion); *id.* at 2793 (Breyer, J. concurring in the judgment and in this point).

But even assuming, for purposes of argument, that Heartland could be required to defend, in Delaware, alleged infringements committed inside Delaware by Customer or other third parties who may have sold or used the accused LWE products in Delaware, it would not follow that the Court could exercise personal jurisdiction with respect to independent acts of making, using, selling, or offering to sell accused LWE products *outside* of Delaware. *Cf. Sears, Roebuck & Co. v. Sears*, 752 F. Supp. 1223, 1230 (D. Del. 1990) (finding no jurisdiction over alleged non-Delaware trademark and trade name infringement, even though there was jurisdiction over related infringement in Delaware).

In asserting the contrary, Kraft relies on dictum in *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558 (Fed. Cir. 1994), which reasoned that a State having jurisdiction to hear infringement claims arising within its borders "has a substantial interest in cooperating with other states to provide a forum for efficiently litigating plaintiff's cause of action." *Id.* at 1568. But under *Walden*, *Nicastro*, and *Goodyear*, the jurisdictional inquiry is not whether a State might have an "interest" in providing "a forum" for a plaintiff's purported claim, but whether a *defendant* has a *liberty* interest that would be invaded by forcing it to defend a claim that does not arise from an "activity or an occurrence that takes place in the forum State and is therefore subject to the State's regulation."

Walden, 134 S. Ct. at 1121 n.6 (quoting *Goodyear*, 131 S. Ct. at 2851).

Even before *Daimler* and *Walden*, then-Chief Judge Rader noted that, after *Nicastro*, "*Beverly Hills Fan*, with its unfettered reliance on a 'stream of commerce' theory, is now shaky precedent." *AFTG-TG*, 689 F.3d at 1368 (concurring opinion). The *Beverly Hills Fan* did not ask or answer the question whether all of the defendant's non-forum acts of alleged infringement were "subject to the [forum] State's regulation." *Walden*, 134 S. Ct. at 1121 n.6 (quoting *Goodyear*, 131 S. Ct. at 2851). Instead, *Beverly Hills Fan* merely cited to a libel-specific case, *Keeton v. Hustler Magazine, Inc.*, 465 U.S. 770 (1984) (distinguished in *Walden*, as described in Heartland's Op. Br. at 8), and suggested policy reasons for allowing the adjudication of nationwide claims in the forum where some small amount of alleged infringement was deemed to have occurred. *Beverly Hills Fan*, 21 F.3d at 1568 ("other states will thus be spared the burden of providing a forum" and "defendants will be protected from harassment resulting from multiple suits"). Such policy reasons do not meet the jurisdictional standards elucidated by the Supreme Court in *Goodyear*, *Nicastro*, and *Walden*. In *Nicastro*, the New Jersey Supreme Court had given "significant policy reasons" for a finding of personal jurisdiction, but six Justices nevertheless voted to overturn that decision, with the plurality noting that "the Constitution commands restraint before discarding liberty in the name of expediency." *Nicastro*, 131 S. Ct. at 1791.

Kraft argues that "Heartland's proposed analysis would lead to manifestly absurd results" (Kraft Br. at 10), but 28 U.S.C. § 1400(b) protects against the "absurd result" postulated by Kraft. Kraft asserts that it would be "radical" and "turn the Civil Rules and statutory venue provisions . . . on their head" to require a patentee to "sue the infringer in its home district once" (*id.*), but that result is precisely what the special patent venue statute prescribes.

CONCLUSION

For all of the reasons set forth above and in Heartland's opening brief, Heartland requests that the Court grant Heartland's Motion and enter its Proposed Order.

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October 14, 2014

APPENDIX H — SECOND AMENDED ANSWER OF DEFENDANTS FILED IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF DELAWARE, DATED JANUARY 13, 2017

(OMITTED HEREIN, REPRODUCED IN SEALED APPENDIX)

RECORD AND BRIEFS

No. 16-341

FILED
JAN 30 2017
OFFICE OF THE CLERK
SUPREME COURT, U.S.

IN THE

Supreme Court of the United States

TC HEARTLAND, LLC D/B/A HEARTLAND FOOD PRODUCTS GROUP,

Petitioner,

v.

KRAFT FOODS GROUP BRANDS LLC,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

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QUESTION PRESENTED

The patent venue statute, 28 U.S.C. § 1400(b), provides that patent infringement actions "may be brought in the judicial district where the defendant resides . . . ." The statute governing "[v]enue generally," 28 U.S.C. § 1391, has long contained a subsection (c) that, where applicable, deems a corporate entity to reside in multiple judicial districts.

In *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222 (1957), this Court held that § 1400(b) is not to be supplemented by § 1391(c), and that as applied to corporate entities, the phrase "where the defendant resides" in § 1400(b) "mean[s] the state of incorporation only." *Id.* at 226. The Court's opinion concluded: "We hold that 28 U.S.C. § 1400(b) is the sole and exclusive provision controlling venue in patent infringement actions, and that it is not to be supplemented by the provisions of 28 U.S.C. § 1391(c)." *Id.* at 229.

Federal Circuit precedent holds to the contrary. Although Congress has not amended § 1400(b) since *Fourco*, the Federal Circuit has justified its departure from *Fourco*'s interpretation of § 1400(b) based on amendments to § 1391(c). As stated in the decision below, Federal Circuit precedent holds that "the definition of corporate residence in the general venue statute, § 1391(c), applic[s] to the patent venue statute, 28 U.S.C. § 1400" (Pet. App. 4a) and that "*Fourco* was not and is not the prevailing law" (Pet. App. 8a) on where venue is proper in patent infringement actions under § 1400(b).

The question presented in this case is thus precisely the same as the issue decided in *Fourco*:

Whether 28 U.S.C. § 1400(b) is the sole and exclusive provision governing venue in patent infringement actions and is not to be supplemented by 28 U.S.C. § 1391(c).

RULE 29.6 STATEMENT

Petitioner states that its parent company is Heartland Consumer Products Holdings LLC and no publicly held company owns 10% or more of Petitioner's stock.

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OPINIONS BELOW

The opinion of the Court of Appeals is reported at 821 F.3d 1338 and is reproduced in Petition Appendix A. The opinions of the District Court are unreported and are reproduced in Petition Appendix B.

JURISDICTION

The final decision of the Court of Appeals was entered on April 29, 2016. No petition for rehearing was filed. On July 13, 2016, this Court extended Petitioner's time to file a petition for a writ of certiorari to and including September 12, 2016. On September 12, 2016, Petitioner timely filed a Petition for a Writ of Certiorari, which this Court granted on December 14, 2016. This Court's jurisdiction is invoked under 28 U.S.C. § 1254(1).

This civil action is one arising under federal patent law, over which the district court had subject matter jurisdiction under 28 U.S.C. § 1338(a). The Federal Circuit had appellate jurisdiction under the All Writs Act, 28 U.S.C. § 1651(a).

STATUTORY PROVISIONS INVOLVED

28 U.S.C. § 1400(b) provides:

> Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.

The full text of 28 U.S.C. § 1694 (concerning service of process in patent infringement actions) and portions of the text of 28 U.S.C. § 1391 ("Venue generally") are reproduced in Petition Appendix C.

STATEMENT OF THE CASE

The patent venue statute, 28 U.S.C. § 1400(b), is part of a statutory scheme that "was designed 'to define the exact jurisdiction of the . . . courts in these matters,' . . . and not to 'dovetail with the general [venue] provisions.'" *Schnell v. Peter Eckrich &*

Sons, Inc., 365 U.S. 260, 262 (1961) (quoting *Stonite Prods. Co. v. Melvin Lloyd Co.*, 315 U.S. 561, 565 & n.5, 566 (1942)). The patent venue statute was enacted together with a provision for "service of process, summons or subpoena," which enables a patentee to establish personal jurisdiction over, and obtain complete relief against, a defendant "[i]n a patent infringement action commenced in a district where the defendant is not a resident but has a regular and established place of business." 28 U.S.C. § 1694.

In *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222 (1957), this Court held that, as applied to corporate entities, the phrase "where the defendant resides" in § 1400(b) "mean[s] the state of incorporation only," *id.* at 226, and that the patent venue statute "is not to be supplemented by the provisions of 28 U.S.C. § 1391(c)." *Id.* at 229. At issue in this case is the propriety of the Federal Circuit's rejection of this Court's longstanding construction of § 1400(b).

A. The Enactment of the Patent Venue Statute and Its Predecessors

Congress has enacted versions of the patent venue statute three times:

(i) originally, in 1897;

(ii) in 1911, as part of a codification effort; and

(iii) in 1948, as part of the codification of title 28 of the United States Code.

Prior to 1897, "a suit for infringement might have been maintained in any district in which jurisdiction of defendant could be obtained." *Gen. Elec. Co. v. Marvel Rare Metals Co.*, 287 U.S. 430, 434 (1932). That result followed from precedents holding that patent infringement suits, being subject to *exclusive* federal court jurisdiction, were "therefore not affected by general provisions regulating the jurisdiction of the courts of the United States, *concurrent* with that of the several states." *In re Keasbey*

& Mattison Co., 160 U.S. 221, 230 (1895) (emphasis added).

In 1897, Congress changed the law by enacting a statute containing only two sentences:

> *Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That in suits brought for the infringement of letters patent the circuit courts of the United States shall have jurisdiction, in law or in equity, in the district of which the defendant is an inhabitant, or in any district in which the defendant, whether a person, partnership, or corporation, shall have committed acts of infringement and have a regular and established place of business. If such suit is brought in a district of which the defendant is not an inhabitant, but in which such defendant has a regular and established place of business, service of process, summons, or subpoena upon the defendant may be made by service upon the agent or agents engaged in conducting such business in the district in which suit is brought.

Act of March 3, 1897, ch. 395, 29 Stat. 695, 695–96 (the "1897 Act").

This Court has described the restrictive intent of the patent venue statute: "Congress adopted the predecessor to § 1400(b) as a special venue statute in patent infringement actions to eliminate the 'abuses engendered' by previous venue provisions allowing such suits to be brought in any district in which the defendant could be served." *Schnell*, 365 U.S. at 262 (quoting *Stonite*, 315 U.S. at 563); *accord Pure Oil Co. v. Suarez*, 384 U.S. 202, 207 (1966) ("The patent infringement venue statute was enacted in 1897, 29 Stat. 695, specifically to narrow venue in such suits.").

The first sentence in the 1897 Act authorized patent infringement suits to be brought either "[i] in *the district* of which the defendant is an inhabitant,

or [ii] in ***any district*** in which the defendant, whether a person, partnership, or corporation, shall have committed acts of infringement and have a regular and established place of business." *Id.* at 695 (emphasis and numerals added). The use of the singular "the district" in referring to the defendant's place of inhabitance (contrasting with "any district" in referring to the defendant's places of business) was consistent with the then-established meaning of "inhabitant" in statutes prescribing federal court jurisdiction and venue, for inhabitancy was considered as being in one place even for corporations. *See Shaw v. Quincy Mining Co.*, 145 U.S. 444, 450 (1892) ("[T]he domicil, the habitat, the residence, the citizenship of the corporation can only be in the State by which it was created, although it may do business in other States whose laws permit it."), *cited in Fourco*, 353 U.S. at 226.

By authorizing service of a "summons" on a defendant, the second sentence of the 1897 Act ensured that plaintiffs in patent infringement actions could establish personal jurisdiction over, and obtain complete relief against, any non-inhabitant person or entity that was subject to suit (i.e., subject to proper venue) under the first sentence of the statute.

In 1911, the 1897 Act was re-enacted without substantive change but with the outdated reference to "circuit courts" in the first sentence changed to "district courts," as follows:

> SEC. 48. In suits brought for the infringement of letters patent the district courts of the United States shall have jurisdiction, in law or in equity, in the district of which the defendant is an inhabitant, or in any district in which the defendant, whether a person, partnership, or corporation, shall have committed acts of infringement and have a regular and established place of business. If such suit is brought in a district of which the defendant is not an inhabitant, but in which such defendant has a regular and established place of

> business, service of process, summons, or subpoena upon the defendant may be made by service upon the agent or agents engaged in conducting such business in the district in which suit is brought.

Judicial Code of 1911, ch. 231, § 48, 36 Stat. 1087, 1100 (the "1911 Judicial Code"). Section 48 of the 1911 Judicial Code was later unofficially codified as 28 U.S.C. § 109 (1940).

This Court interpreted § 48 of the 1911 Judicial Code in *Stonite Prods. Co. v. Melvin Lloyd Co.*, 315 U.S. 561 (1942). The *Stonite* Court noted that the 1897 Act "was intended to define the exact limits of venue in patent infringement suits" and "was a restrictive measure, limiting a prior, broader venue." *Stonite*, 315 U.S. at 566. "Congress did not intend the Act of 1897 to dovetail with the general provisions relating to the venue of civil suits, but rather that it alone should control venue in patent infringement proceedings." *Id.* "The main purpose" of the 1897 Act, according to its principal sponsor, was "to give original jurisdiction to the court where a permanent agency transacting the business is located, and that business is engaged in the infringement of the patent rights of some one who has such rights anywhere in the United States." 29 CONG. REC. 1900 (1897) (statement of Rep. Lacey). "Isolated cases of infringement would not confer this jurisdiction, but only where a permanent agency is established." *Id.*

The *Stonite* Court defined the relationship between the then-existing version of the patent venue statute, § 48 of the 1911 Judicial Code, and more general venue statutes. The Court held that § 48 was "the exclusive provision controlling venue in patent infringement proceedings," 315 U.S. at 563, and that a corporate defendant could not be sued for patent infringement in a district where venue was improper under § 48 even if venue might appear to be proper under provisions in a general venue statute. *Id.* at 563–67.

In 1948, Congress enacted title 28 of the United States Code as positive law. *See* Act of June 25, 1948, ch. 646, 62 Stat. 869 (the "1948 Act"). As part of that codification, the first and second sentences of § 48 of the 1911 Judicial Code were placed into separate sections of the new Code, 28 U.S.C. § 1400(b) and § 1694, respectively.

After the 1948 codification, 28 U.S.C. § 1400(b) provided (as it still provides):

> Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.

62 Stat. at 936.

28 U.S.C. § 1694 provided (as it still provides):

> In a patent infringement action commenced in a district where the defendant is not a resident but has a regular and established place of business, service of process, summons or subpoena upon such defendant may be made upon his agent or agents conducting such business.

62 Stat. at 945.

The revised sections use the words "resides" and "resident" in place of the word "inhabitant," which was used in both sentences in the pre-codification version. The Reviser's Note to 28 U.S.C. § 1400(b) (Supp. II 1949) states in part: "Words 'inhabitant' and 'resident,' as respects venue, are synonymous." The Reviser's Note to § 1694 states: "Changes were made in phraseology." 28 U.S.C. § 1694 (Supp. II 1949). Congress has not altered the texts of 28 U.S.C. § 1400(b) or § 1694 since the 1948 codification.

B. The Circuit Split on Patent Venue and This Court's Resolution in *Fourco*.

The 1948 codified title 28 also included a new § 1391, headed "Venue generally," whose full text was:

> **§ 1391. Venue generally**
>
> (a) A civil action wherein jurisdiction is founded only on diversity of citizenship may, except as otherwise provided by law, be brought only in the judicial district where all plaintiffs or all defendants reside.
>
> (b) A civil action wherein jurisdiction is not founded solely on diversity of citizenship may be brought only in the judicial district where all defendants reside, except as otherwise provided by law.
>
> (c) A corporation may be sued in any judicial district in which it is incorporated or licensed to do business or is doing business, and such judicial district shall be regarded as the residence of such corporation for venue purposes.
>
> (d) An alien may be sued in any district.

62 Stat. at 935.

After the 1948 codification, a circuit split developed over whether the above-quoted provision in § 1391(c), "such judicial district *shall be regarded as the residence* of such corporation *for venue purposes*" (emphasis added), applied to the § 1400(b) provision, "*the* judicial district where the defendant *resides*" (emphasis added). *See Fourco*, 353 U.S. at 224 n.3.

In *Fourco* itself, the defendant was a West Virginia corporation that had a regular and established place of business in the Southern District of New York but had not committed acts of infringement there. *Id.* at 223. Venue was thus not possible under the second option provided in § 1400(b) ("where the defendant has committed acts of infringement and has a regular and established place of business"). *Id.*

Nevertheless, the plaintiff in the case argued that venue was permissible under the first option in § 1400(b) ("where the defendant resides") because the defendant's conducting of business in the Southern District of New York made it one of the districts that § 1391(c) stated "shall be regarded as the residence of such corporation for venue purposes."

The District Court rejected the plaintiff's theory of venue, but the Second Circuit reversed. The Second Circuit characterized § 1391(c) as creating a "definition" of "corporate residence" and reasoned that § 1400(b) "requires but the insertion in it of the definition of corporate residence from [§ 1391(c)] . . . just as that definition is properly to be incorporated into other sections of the venue chapter, e.g., §§ 1392, 1393, 1395, 1396, 1397, 1400, etc." *Transmirra Prods. Corp. v. Fourco Glass Co.*, 233 F.2d 885, 886 (2d Cir. 1956), *rev'd*, 353 U.S. 222 (1957).

This Court granted review of the Second Circuit's decision to decide "whether 28 U.S.C. § 1400(b) is the sole and exclusive provision governing venue in patent infringement actions, or whether that section is supplemented by 28 U.S.C. § 1391(c)." 353 U.S. at 222. In answering that question, *Fourco* began with the Court's holding in *Stonite* that the immediate predecessor of 28 U.S.C. § 1400(b) was "the exclusive provision controlling venue in patent infringement proceedings." *Id.* at 225 (quoting *Stonite*, 315 U.S. at 563). *Fourco* characterized this holding as meaning that § 48 of the 1911 Judicial Code was "complete, independent and alone controlling in its sphere." *Id.* at 228. *Fourco* continued (*Id.* at 225):

> The soundness of the *Stonite* case is not here assailed, and, unless there has been a substantive change in what was § 48 of the Judicial Code at the time the *Stonite* case was decided, on March 9, 1942, it is evident that that statute would still constitute "the exclusive provision controlling venue in patent infringement proceedings."

The Court considered (i) changes in the wording of 28 U.S.C. §§ 1400(b) and 1694 as compared with the corresponding text of § 48 of the 1911 Judicial Code, *id.* at 226; (ii) the generality of the wording of the text of 28 U.S.C. § 1391(c), *id.* at 228; (iii) contemporaneous congressional statements that "every change made in the text is explained in detail in the Revisers' Notes," *id.* at 226; (iv) "the fact that the Revisers' Notes do not express any substantive change," *id.* at 227; and (v) "the fact that several of those having importantly to do with the revision say no change is to be presumed unless clearly expressed," *id.* at 227–28.

Based on all of those indicia of statutory meaning, and with "no substantive change being otherwise apparent," the *Fourco* Court concluded: "[W]e hold that 28 U.S.C. § 1400(b) made no substantive change from 28 U.S.C. (1940 ed.) § 109 [§ 48 of the 1911 Judicial Code] as it stood and was dealt with in the *Stonite* case." *Id.* at 228. The *Fourco* Court then reiterated the continued vitality of its earlier interpretation of the patent venue statute, stating that § 1400(b) "is complete, independent and alone controlling in its sphere as was held in *Stonite*," *id.* at 228, and that it was "not to be supplemented by the provisions of 28 U.S.C. § 1391(c)," *id.* at 229. The final two paragraphs in the *Fourco* opinion were:

> We think it is clear that § 1391(c) is a general corporation venue statute, whereas § 1400 (b) is a special venue statute applicable, specifically, to *all* defendants in a particular type of actions, *i.e.*, patent infringement actions. In these circumstances the law is settled that "However inclusive may be the general language of a statute, it 'will not be held to apply to a matter specifically dealt with in another part of the same enactment. . . . Specific terms prevail over the general in the same or another statute which otherwise might be controlling.' *Ginsberg & Sons v. Popkin*, 285 U.S.

> 204, 208." *MacEvoy Co. v. United States*, 322 U.S. 102, 107.
>
> We hold that 28 U.S.C. § 1400 (b) is the sole and exclusive provision controlling venue in patent infringement actions, and that it is not to be supplemented by the provisions of 28 U.S.C. § 1391(c). The judgment of the Court of Appeals must therefore be reversed and the cause remanded for that court to pass upon the District Court's ruling that there had been no showing of acts of infringement in the district of suit.

Id. at 228–29 (emphasis in original).

As construed in *Fourco*, the phrase, "the judicial district where the defendant resides" (§ 1400(b)), denotes a defendant's "*domicile*, and, in respect of corporations, mean[s] the state of incorporation only." *Id.* at 226 (emphasis in original; citing *Shaw*, 145 U.S. at 450); *accord Brunette Mach. Works, Ltd. v. Kockum Indus., Inc.*, 406 U.S. 706, 707 n.2 (1972) ("[T]he residence of a corporation for purposes of § 1400(b) is its place of incorporation.").

Fourco's interpretation of § 1400(b) was accepted and unquestioned law for more than three decades. *See, e.g., Pure Oil*, 384 U.S. at 207 ("This Court in *Fourco*, after determining that the 1948 revision of § 1400(b) was meant to introduce no substantive change in the provision, was merely following the purpose and letter of the original enactment."); *Schnell*, 365 U.S. at 262–64 (following *Fourco* and affirming dismissal for improper venue); *Hoffman v. Blaski*, 363 U.S. 335, 336–44 (1960) (affirming order granting writ of mandamus directing transfer of patent infringement action); *In re Cordis Corp.*, 769 F.2d 733, 736 (Fed. Cir. 1985) ("The Supreme Court has held that § 1400(b) is the sole and exclusive provision controlling venue in patent infringement actions, and that it is not to be supplemented by the provisions of 28 U.S.C. § 1391(c), having to do with general corporation venue.").

C. Amendments to 28 U.S.C. § 1391 and the Federal Circuit's Reinterpretation of 28 U.S.C. § 1400(b).

Section § 1391(c) has been substantively amended twice since this Court's decision in *Fourco*—in 1988 and again in 2011.

In 1988, 28 U.S.C. § 1391(c) was revised as indicated below (emphasis added):

Pre-1988 Text of § 1391(c)	1988 Text of § 1391(c) (first sentence)
A corporation may be sued in any judicial district in which it is incorporated or licensed to do business or is doing business, and such judicial district shall be regarded as the residence of such corporation ***for venue purposes***.	***For purposes of venue under this chapter***, a defendant that is a corporation shall be deemed to reside in any judicial district in which it is subject to personal jurisdiction at the time the action is commenced.

As shown above, before 1988, § 1391(c) had provided that certain districts would be "*regarded as the residence* of such corporation *for venue purposes*" (emphasis added), whereas in 1988, this sentence was re-written to say that corporations would be "deemed to reside" in certain districts "*[f]or purposes of venue under this chapter*," with "this chapter" referring to chapter 87, entitled "District Courts; Venue." *See* Judicial Improvements and Access to Justice Act, Pub. L. No. 100-702, § 1013, 102 Stat. 4642, 4669 (1988) (the "1988 Act").

The section of the 1988 Act which amended § 1391(c) was located in a "Miscellaneous Provisions" title and characterized in a contemporaneous House Report as being one of a series of "miscellaneous provisions dealing with relatively minor discrete proposals." H.R. REP. NO. 100-889, at 66 (1988), *as reprinted in* 1988 U.S.C.C.A.N. 5982, 6027.

Soon after that 1988 amendment, the Federal Circuit in *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990), concluded that, due to the change in the wording of § 1391(c), "the meaning of the term 'resides' in § 1400(b) has changed." *Id.* at 1575. Although the pre-1988 text of § 1391(c) (which applied "for venue purposes") was textually broader than the 1988 text (which facially applied only "[f]or purposes of venue under this chapter"), the Federal Circuit characterized the corporate "residence" clause of the pre-1988 text of § 1391(c) as "surplusage" or "at best confusing." 917 F.2d at 1578.[1] The Federal Circuit thus characterized the issue before it as one "of first impression," to wit, what "the Congress *now* intends by this new language in the venue act." *Id.* at 1579 (emphasis in original).

The *VE Holding* court placed significant weight on the addition of the words "this chapter" in the 1988 amendment of § 1391(c), reasoning:

> The phrase "this chapter" refers to chapter 87 of title 28, which encompasses §§ 1391-1412,

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[1] By the time of *VE Holding*, this Court in *Pure Oil Co. v. Suarez*, 384 U.S. 202 (1966), had already interpreted the pre-1988 version of § 1391(c) as "appl[ying] to all venue statutes using residence as a criterion, at least in the absence of contrary restrictive indications in any such statute." *Id.* at 204–05. (The *Pure Oil* Court specifically cited § 1400(b) and *Fourco* to illustrate an example where "contrary restrictive indications" meant that § 1391(c)'s definition should not be applied. *See id.* at 206–07.) *Pure Oil* held that the "the broader residence definition of [pre-1988] § 1391(c)" should be read into statutes such as the Jones Act. While the relevant provision of the Jones Act, 46 U.S.C. § 688, is a "venue" provision and thus is textually within the literal scope of the pre-1988 version of § 1391(c), it is outside the U.S. Code "chapter" referred to in the 1988 version of § 1391(c).

> and thus includes § 1400(b). On its face, § 1391(c) clearly applies to § 1400(b), and thus redefines the meaning of the term 'resides' in that section.

Id. at 1578. The court viewed the phrase "[f]or purposes of venue under this chapter" as "exact and classic language of incorporation," *id.* at 1579, and therefore held that "the general statute, § 1391(c), expressly reads itself into the specific statute" and "supplement[s] § 1400(b)," *id.* at 1580.

According to *VE Holding*, § 1400(b)'s phrase "the judicial district where the defendant resides" was changed in 1988 to mean "any district where there would be personal jurisdiction over the corporate defendant." *Id.* at 1583. The court defended that change on the grounds (asserted to be "not in dispute") that an era of "more liberalized venue law" had made "the 'freezing' of patent venue as a result of *Fourco* . . . an anomaly." *Id.* at 1582–83.

In 2011, Congress completely rewrote 28 U.S.C. § 1391 and repealed the language ("For purposes of venue under this chapter") that the *VE Holding* court had relied upon to justify its holding. *See* Federal Courts Jurisdiction and Clarification Act of 2011, Pub. L. No. 112-63, § 202, 125 Stat. 758, 763 (the "2011 Act"). The new § 1391, which remains in force, begins with a new subparagraph (a) addressing the applicability of the entire section:

> (A) APPLICABILITY OF SECTION.—Except as otherwise provided by law—
>
> (1) this section shall govern the venue of all civil actions brought in district courts of the United States . . . .

28 U.S.C. § 1391(a)(1).

New § 1391(c) provides default definitions of residency for natural persons and corporations, with the operative language for corporations reading:

> (C) RESIDENCY.—For all venue purposes—

. . . .

> (2) an entity with the capacity to sue and be sued in its common name under applicable law, whether or not incorporated, shall be deemed to reside, if a defendant, in any judicial district in which such defendant is subject to the court's personal jurisdiction with respect to the civil action in question and, if a plaintiff, only in the judicial district in which it maintains its principal place of business; ...

28 U.S.C. § 1391(c)(2).

D. Effects of the Federal Circuit's New Reinterpretation of the Patent Venue Statute.

The *VE Holding* reinterpretation of § 1400(b) led to significant changes in where patent infringement actions were brought. By 2005, a decade and a half after *VE Holding*, 156 patent cases—or about 6% of the 2612 patent cases filed in all federal districts that year—were brought in one district court, the Eastern District of Texas.[2] The next year, the burgeoning number of patent cases in the Eastern District of Texas was considered sufficiently newsworthy that it generated a feature story in *The New York Times*, which commented on the district's "red-hot patent docket." *See* Julie Creswell, *So Small a Town, So Many Patent Suits*, N.Y. TIMES, Sept. 24, 2006, http://www.nytimes.com/2006/09/24/business/24ward.html. That article speculated that the patent docket in the Eastern District of Texas "may not be able to sustain its current pace of growth" because it was

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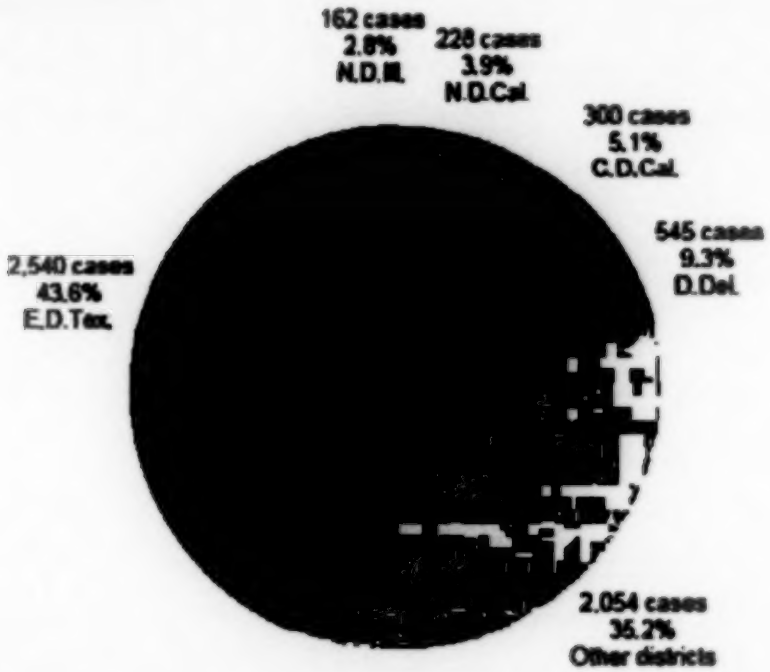
[2] Figures are drawn from Matthew Sag, *IP Litigation in U.S. District Courts: 1999-2014*, 101 IOWA L. REV. 1065 (2016). *See id.* at 1111 (setting forth the number of patent cases filed in certain district courts); *id.* at 1082 (setting forth the total number of patent cases filed per year in table 3, columns 1 & 2).

"starting to attract so many cases that a certain sluggishness may be setting in." *Id.*

That prediction proved to be inaccurate. In 2006, the year of the *Times* article, more than 9% of all patent cases in the country (256 of 2745 cases) were filed in the Eastern District of Texas.[3] Nine years later, in 2015, more than 40% of all patent cases were brought in that district, and more than 50% of patent cases were filed in just two districts (E.D. Tex. and D. Del.), as illustrated in the chart below (Brian Howard, Lex Machina 2015 End-of-Year Trends Fig. 3 (Jan. 7, 2016), *available at* http://www.lexmachina.com/lex-machina-2015-end-of-year-trends):



Multiple empirical studies suggest that the ongoing centralization of patent litigation in a few judi-

[3] *See* Sag, *supra* note 2, 101 Iowa L. Rev. at 1082, 1111.

cial districts has been driven by forum shopping. Professor Matthew Sag has published statistics showing a "marked divergence between the rate of patent litigation in the Eastern District of Texas and the District of Delaware and other forms of IP litigation in these districts."[4] Professor Sag asserts: "The reality is that these courts are not better in any value-neutral sense; they are simply better for patent plaintiffs and worse for patent defendants."[5]

PriceWaterhouseCoopers ("PWC") publishes an annual study of patent litigation trends and developments. PWC's 2016 study presents patent case statistics and states that "[c]ertain jurisdictions . . . continue to be more favorable venues for patent holders." Chris Barry et al., *2016 Patent Litigation Study: Are We at an Inflection Point?* 15 (2016), *available at* https://www.pwc.com/us/en/forensic-services/publications/assets/2016-pwc-patent-litigation-study.pdf (the "2016 PWC Study"). The 2016 PWC Study ranks patentee-favorable venues on the basis of a simple average of each venue's ranking in three variables: "[i] shorter time-to-trial, [ii] higher success rates and [iii] greater median damages awards." *Id.* The PWC Study ranked the District of Delaware and Eastern District of Texas as numbers 1 and 2, respectively, under those criteria. Those are also the top two districts in terms of the number of patent filings.

E. The Proceedings in this Case.

Petitioner is a limited liability company organized and existing under the laws of Indiana. Petitioner is not registered to do business in Delaware and does not have any regular or established place of business

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[4] Sag, *supra* note 2, 101 Iowa L. Rev. at 1099.

[5] *Id.* at 1104.

in Delaware. Petitioner develops and manufactures zero calorie sweetener products in the greater Indianapolis area, both under its own brands and under brands owned by third parties who contract with Petitioner to perform manufacturing activity for them.

Among Petitioner's product lines are liquid water enhancer ("LWE") products that Petitioner manufactures and sells in packaging of its own patented design (protected by U.S. Patent No. D720,622). Petitioner has also developed an innovative process for forming defect-free sealing areas in LWE containers and other blow-molded vessels. That process is described in U.S. Patent Pub. No. 2015/0096996 A1 (available at uspto.gov).[6] Petitioner's founder and CEO, Teodor Gelov, is a graduate of Purdue University and is the sole inventor of both the packaging protected by the above-identified design patent and the process described in the pending patent application. Petitioner practices its innovations through its manufacturing operations in Indiana.

Respondent is a Delaware corporation that maintains its principal place of business in Northfield, Illinois, which is a suburb of Chicago. Respondent sells LWE products in competition with Petitioner in multiple states of the United States, including Indiana.

In 2014, Respondent sued Petitioner for patent infringement; the Respondent chose the United States District Court for the District of Delaware as the forum for suit. Respondent originally alleged infringement of three patents, but all claims involving two of the three patents have now been dismissed. The sole patent remaining in the litigation is U.S.

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[6] The United States Patent and Trademark Office ("PTO") has issued a "Notice of Allowance" on the cited published patent application, meaning that a patent will issue to Petitioner for its manufacturing process in due course.

Patent No. 8,603,557 (the "'557 Patent"), which discloses and claims certain packaged flavored liquid beverage concentrates.

Key witnesses having knowledge of facts relevant to the validity of the '557 Patent, including individuals who gave and presented affidavits that overcame a PTO Examiner's rejection based on 35 U.S.C. § 103(a), are located in the greater Chicago area. The accused LWE products were designed and are manufactured by Petitioner in Indiana. The overwhelming majority of Respondent's infringement claims arise from non-Delaware activity. In the year preceding the filing of this suit, approximately 2% of Petitioner's packaged LWE sales were drop-shipped by common carrier to destinations in Delaware on the instructions of a customer based in Arkansas.

Petitioner moved to dismiss or transfer this action under 28 U.S.C. § 1406. Petitioner argued that (i) the District of Delaware was not "the judicial district where the defendant resides" within the meaning of 28 U.S.C. § 1400(b); and (ii) insofar as the *VE Holding* decision suggested otherwise, it was subordinate to controlling precedents of this Court and in any event, the 2011 Act had repealed the statutory language that *VE Holding* had relied on to justify its departure from this Court's interpretation of § 1400(b).

The district court denied Petitioner's motion, considering itself bound by *VE Holding*. Pet. App. 16a. Petitioner then timely petitioned the Federal Circuit for a writ of mandamus under 28 U.S.C. § 1651. *Cf. Atl. Marine Constr. Co. v. U.S. Dist. Court for W. Dist. of Tex.*, 134 S. Ct. 568 (2013) (reviewing venue issue on mandamus review). The Federal Circuit denied the petition for mandamus. Its opinion stated in part:

> The venue statute was amended in 1988 and in *VE Holding*, this court held that those amendments rendered the statutory definition of corporate residence found in § 1391 applica-

> ble to patent cases. In *VE Holding*, we found that the Supreme Court's decision in *Fourco* with regard to the appropriate definition of corporate residence for patent cases in the absence of an applicable statute to be no longer the law because in the 1988 amendments Congress had made the definition of corporate residence applicable to patent cases. 28 U.S.C. § 1391(c) (1988) ("For the purposes of venue under this chapter"). In 1988, the common law definition of corporate residence for patent cases was superseded by a Congressional one. Thus, in 2011, there was no established governing Supreme Court common law ruling which Congress could even arguably have been codifying in the language "except otherwise provided by law."

Pet. App. 6a–7a.

Petitioner timely sought a writ of certiorari, which this Court granted on December 14, 2016. After this Court's grant of certiorari, the district court postponed the start of any trial of this action to October 16, 2017, noting: "[I]f the case is to be transferred, the transferee judge will be free to schedule trial for whenever he or she wishes." Dist. Ct. Docket Item 433 at 6 & n.6.

SUMMARY OF THE ARGUMENT

This is an extraordinary case because it presents a question of statutory interpretation that this Court specifically answered more than a half century ago.

Under this Court's authoritative interpretation, the statutory phrase "the judicial district where the defendant resides" in 28 U.S.C. § 1400(b) "mean[s] the state of incorporation only," and the venue prescribed in § 1400(b) is "not to be supplemented by the provisions of 28 U.S.C. § 1391(c)." *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222, 226, 229 (1957). Since that interpretation, Congress has not changed one letter in § 1400(b).

This Court's interpretation of § 1400(b) is correct and should be reaffirmed because (i) it preserves the original meaning the patent venue statute as enacted by Congress; (ii) it makes sense of the structure of the statute; and (iii) it fully accords with this Court's canons of statutory construction. *Fourco*'s interpretation of § 1400(b) is also fully consistent with the current version of the general venue statute, 28 U.S.C. § 1391, which now begins with an express statement that its provisions apply "[e]xcept as otherwise provided by law." 28 U.S.C. § 1391(a).

The contrary interpretation of § 1400(b) applied below rests on repealed statutory language and precedent of a single court of appeals rejecting *Fourco*—sources that would not ordinarily be considered adequate to justify rejection of this Court's longstanding interpretation of a federal statute. Nevertheless, Part I below demonstrates that, even under previously existing statutory law, the Federal Circuit erred in rejecting this Court's interpretation of § 1400(b) and in holding that the venue prescribed in the statute was to be supplemented by § 1391(c).

The Federal Circuit's revisionist interpretation of § 1400(b) was wrong at the time it was announced because (i) it abandoned the original meaning of the statute and undermined the statute's structure in almost all cases; (ii) it violated multiple canons of statutory construction; and (iii) it brought back the very abuses that Congress had sought to address and, prior to the Federal Circuit's reinterpretation, had effectively addressed in the patent venue statute.

Furthermore, and notwithstanding the Federal Circuit's precedent, both this Court and Congress have taken steps suggesting that the interpretation of § 1400(b) announced in *Fourco* remains good law. This Court has continued to cite the *Fourco* decision as if it were still good law, and Congress has enacted legislation that would have little or no operative force if the Federal Circuit's reinterpretation of § 1400(b) were correct.

As discussed in Part II, however, even if the Federal Circuit's reinterpretation of § 1400(b) were plausible prior to the 2011 Act (and it was not), that interpretation would not survive the repeal of the statutory language on which the court based its reasoning. Under this Court's precedents, the Federal Circuit's reinterpretation of § 1400(b) was never settled because "[a] question arising in regard to the construction of a statute of the United States concerning patents for inventions cannot be regarded as judicially settled when it has not been so settled by the highest judicial authority which can pass upon the question." *Andrews v. Hovey*, 124 U.S. 694, 716 (1888).

The Court should decide this case based on currently in force statutory law and this Court's precedents that remain binding and not overruled. Current 28 U.S.C. § 1391(a) expressly preserves specially targeted, restrictive venue rules like the one in § 1400(b). *Fourco*'s interpretation of § 1400(b) is clearly correct under current law.

ARGUMENT

I. THE FEDERAL CIRCUIT IMPROPERLY REJECTED THIS COURT'S SETTLED INTERPRETATION OF 28 U.S.C. § 1400(b).

This Court's interpretation of § 1400(b) in *Fourco* was thoroughly and correctly grounded in the text, structure, and history of the patent venue statute. The Federal Circuit was wrong to cast aside that interpretation based on (since repealed) changes made to § 1391(c) in 1988.

A. The Enactment and the Original Meaning of the Patent Venue Statute.

The patent venue statute was originally enacted in 1897, not as a part of general venue legislation but as a targeted, two-sentence statute designed "to define the exact jurisdiction of the federal courts in actions to enforce patent rights," *Stonite*, 315 U.S. at 565, "to define the exact limits of venue in patent in-

fringement suits," *id.* at 566, and "to eliminate the 'abuses engendered' by previous venue provisions allowing such suits to be brought in any district in which the defendant could be served." *Schnell*, 365 U.S. at 262 (quoting *Stonite*, 315 U.S. at 563).

The two sentences in the statute—one devoted to venue and the other to service of process—formed an integrated whole that not only defined the districts in which plaintiffs could bring suit but also gave plaintiffs a federal right to serve a summons on agents of defendants that had a regular and established place of business but were not resident in the forum district. Thus, while the statute limited patent plaintiffs' venue choices, it also afforded them federal process so that they could bring patent infringement lawsuits against non-resident defendants and obtain relief on claims for alleged infringement arising outside of the forum state without having to depend on the uncertainty of state service of process laws.[7]

The statute afforded plaintiffs two options for proper venue. The first option was to sue in "the district of which the defendant is an inhabitant." 29 Stat. at 695. The second was to sue "in any district in which the defendant, whether a person, partnership, or corporation, shall [i] have committed acts of infringement and [ii] have a regular and established place of business." *Id.*

At the time the patent venue statute was enacted, it was undoubtedly true that corporate entities were

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[7] Each act of alleged infringement gives rise to a discrete claim. *Cf. Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962, 1969 (2014) (stating principle in copyright context); *Hazelquist v. Guchi Moochie Tackle Co.*, 437 F.3d 1178, 1180 (Fed. Cir. 2006) ("Our case law clearly states that each act of patent infringement gives rise to a separate cause of action.").

viewed as being residents or inhabitants of only their state of incorporation. *Shaw*, 145 U.S. at 450 (1892) ("[T]he domicil, the habitat, the residence. the citizenship of the corporation can only be in the State by which it was created, although it may do business in other States whose laws permit it."). The original meaning of corporate inhabitance or residence is also clearly evident in the statutory text and structure.

The statute refers to "the" district of inhabitancy (thus suggesting inhabitancy is in a singular place) but to "any" district in which the defendant might have a regular and established place of business. The narrowness of the original meaning is also evident from the two options for obtaining venue: If having a regular and established place of business made a corporation an inhabitant, then the second option for venue would add nothing to the first option for obtaining venue over corporate defendants. Yet the statute expressly lists "corporation[s]" as among the defendant entities that are covered under the second option. 29 Stat. at 695.

Targeted as it was just to patent infringement litigation. the 1897 Act was not general legislation. but a very specific piece of legislation. Within the realm of patent infringement litigation. however. the statute was expressly designed to apply not just to natural persons. but "to *all* defendants in a particular type of actions. *i.e.*. patent infringement actions." *Fourco*, 353 U.S. at 228 (emphasis in original).

After enacting the patent venue statute in 1897, Congress has never substantively altered the statute. Rather, small word changes were made in the 1911 and 1948 codifications, and such changes made during recodification efforts are generally presumed not to be substantive changes in law. *Fourco*, 353 U.S. at 227.

B. This Court's Interpretation of the Patent Venue Statute and the Federal Circuit's Revisionist Reinterpretation.

By the time of *Fourco*, this Court had already concluded that "Congress did not intend the Act of 1897 to dovetail with the general provisions relating to the venue of civil suits, but rather that it alone should control venue in patent infringement proceedings." *Stonite*, 315 U.S. at 566. *Fourco* merely continued that interpretative approach by holding that the specific statute was not altered by the later enacted general venue statute. As this Court noted in *Pure Oil*, "*Fourco*, after determining that the 1948 revision of § 1400(b) was meant to introduce no substantive change in the provision, was merely following the purpose and letter of the original enactment." 384 U.S. at 207.

The Federal Circuit in *VE Holding* rejected *Fourco*'s interpretation of § 1400(b), but the court made three errors that are evident if the court's opinion is compared to then-existing precedents of this Court.

First, the Federal Circuit asserted that the issue in the case was wholly new—indeed, a matter of "first impression," 917 F.2d at 1579—because § 1391(c) "now [had] exact and classic language of incorporation: 'For purposes of venue under this chapter . . . .'" *Id.* The court repeatedly referred to the language in § 1391(c) as "clear." *Id.* at 1578, 1579, 1580, 1581.

Yet the apparent clarity of § 1391(c)'s language of incorporation was nothing new. The lower court in *Fourco* had also viewed the meaning of the pre-1988 version of § 1391(c) as "plain" and thought that it required § 1391(c)'s definition of residence "to be incorporated into other sections of the venue chapter." *Transmirra Prods. Corp. v. Fourco Glass Co.*, 233 F.2d 885, 886 (2d Cir. 1956), *rev'd*, 353 U.S. 222 (1957).

This Court in *Fourco* had specifically responded to the "clear" language argument, stating that "[t]he

question is not whether § 1391(c) is clear and general, but, rather, it is, pointedly, whether § 1391(c) supplements § 1400(b), or, in other words, whether the latter is complete, independent and alone controlling in its sphere as was held in *Stonite*, or is, in some measure, dependent for its force upon the former." 353 U.S. at 228. The Federal Circuit was thus wrong to think that apparent clarity of the language in § 1391(c) created a matter of "first impression."

Second, the Federal Circuit incorrectly believed that the corporate "residence" provision in the pre-1988 version of § 1391(c) was "surplusage" or "at best confusing." *VE Holding*, 917 F.2d at 1578. By disparaging the effect of the residence clause in the pre-1988 version of the statute, the Federal Circuit freed itself to assert that the 1988 change was much more important than it was.[8] But the corporate "residence" clause of § 1391(c) at the time of *Fourco*, "such judicial district shall be regarded as the residence of such corporation *for venue purposes*" (emphasis added), was at least as broad as it was after the 1988 amendment of that section. Indeed, this Court had already held that, where a special venue statute lacked the "contrary restrictive indications" such as those evident in § 1400(b), the corporate residence provision in pre-1988 § 1391(c) *did* supplement the special statute. *Pure Oil*, 384 U.S. at 205.

Third, the Federal Circuit ignored that *Fourco* quoted the statutory heading of § 1391 ("Venue generally"), 353 U.S. at 223, and ultimately interpreted

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[8] The 1988 Act also added a new second sentence to § 1391(c) which restricted venue in multi-district states. The Federal Circuit did not rely on that sentence for its holding. *See* 917 F.2d at 1578 (noting that the second sentence in the 1988 version of § 1391(c) "is not at issue in this case").

§ 1391(c) not to be unclear, but instead to be "a general corporation venue statute, whereas § 1400(b) is a special venue statute applicable, specifically, to *all* defendants in a particular type of actions, *i.e.*, patent infringement actions." *Id.* at 228 (emphasis in original). *Fourco* specifically invoked the standard canon of statutory construction that the specific should control over the general. *See id.* at 228–29. At the time of *VE Holding*, the statutory title of § 1391 as "Venue generally" had not changed, and nothing about § 1400(b) had changed. Thus, the specific-controlling-the-general canon was just as applicable after 1988 as it had been when this Court decided *Fourco*.

C. The Federal Circuit's Reinterpretation of § 1400(b) Violates Multiple Canons of Statutory Construction.

The Federal Circuit's rejection of this Court's interpretation of § 1400(b) violated at least three of this Court's canons of statutory construction. Charitably viewed, the issue in *VE Holding* was whether the meaning of a specific statute (§ 1400(b)) should be controlled by a later amendment to a general statute (§ 1391(c)). There is law on this issue, and it was not applied by the Federal Circuit.

"It is a basic principle of statutory construction that a statute dealing with a narrow, precise, and specific subject is not submerged by a later enacted statute covering a more generalized spectrum." *Radzanower v. Touche Ross & Co.*, 426 U.S. 148, 153 (1976). "Where there is no *clear intention otherwise*, a specific statute will not be controlled or nullified by a general one, regardless of the priority of enactment." *Id.* (emphasis added) (quoting *Morton v. Mancari*, 417 U.S. 535, 550–51 (1974)).

The Court in *Radzanower* explained the "reason and philosophy" of this rule:

> The reason and philosophy of the rule is, that when the mind of the legislator has been turned to the details of a subject, and he has

> acted upon it, a subsequent statute in general terms, or treating the subject in a general manner, and not expressly contradicting the original act, shall not be considered as intended to affect the more particular or positive previous provisions, unless it is absolutely necessary to give the latter act such a construction, in order that its words shall have any meaning at all.

Id. (quoting Theodore Sedgwick, *The Interpretation and Construction of Statutory and Constitutional Law* 98 (2d ed. 1874)). This Court's teachings in *Radzanower* are relevant not merely for the canon articulated there, but also for specific application of that canon to venue statutes.

In *Radzanower*, the Court confronted a venue question that was similar to the venue question presented in *Fourco* and in this case. There, as here and as in *Fourco*, an earlier special venue statute limited where civil actions could be brought against a certain class of defendants (in *Radzanower*, the special venue statute limited where national banks could be sued). *Id.* at 149–50. In *Radzanower*, as here and as in *Fourco*, a plaintiff contended that a defendant was subject to suit in a certain district under a subsequently enacted, more general statute prescribing where certain types of suits could be brought (namely, § 27 of the Securities Exchange Act of 1934, 42 Stat. 902, 15 U.S.C. § 78aa, authorizing suits for securities fraud), notwithstanding the contrary provisions of a special venue statute (which *Radzanower* restricted where national banks could be sued). *See id.* at 150–51. And in *Radzanower*, as in *Fourco*, this Court held that the special venue statute took precedence over the more general statute, because there was no "clear intention" to provide "otherwise" for venue with respect to the class of defendants that were protected by the more specific venue statute.

Id. at 154–56. In reaching that result, *Radzanower* cited and followed the reasoning of *Fourco*. *See id.* at 154.[9]

As in *Radzanower* and *Fourco*, here there is no "irreconcilable conflict" between the restrictive provisions of 28 U.S.C. § 1400(b) and the general provisions of 28 U.S.C. § 1391(c), "in the sense that there is a positive repugnancy between them or that they cannot mutually coexist." 426 U.S. at 155. Not only is there no "irreconcilable conflict," but there is no conflict whatsoever between the provisions of current 28 U.S.C. § 1391 and the provisions of 28 U.S.C. § 1400(b) as construed in *Fourco*.

VE Holding also departed from the canon that: "The normal rule of statutory construction is that if Congress intends for legislation to change the interpretation of a judicially created concept, it makes that intent specific." *Midlantic Nat'l Bank v. N.J. Dep't of Envtl. Prot.*, 474 U.S. 494, 501 (1986). That canon promotes stability in the law and can be seen as a close cousin to *stare decisis*. To be sure, the canon is not entirely identical to *stare decisis*, for it addresses the situation where one statute has been authoritatively construed judicially (§ 1400(b)) but another statute (§ 1391(c)) has been amended. Justice Scalia and a co-author provide a lucid explanation:

> What if the earlier ambiguous provision has already been construed by the jurisdiction's high court to have a meaning that does not fit

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[9] The sole dissenting Justice in *Radzanower* (Justice Stevens) did not object to the Court's teaching that a specific venue statute should control over a general. Rather, he dissented because he viewed both as special venue statutes, and he noted that "[n]either party relies on the general venue provision in 28 U.S.C. § 1391." *Id.* at 159 (Stevens, J., dissenting).

> as well with a later statute as another meaning? Stare decisis is not an insuperable obstacle to giving effect to the implication of the later statute; it is, after all, a new total law (or a new *corpus juris*) to which the tools of construction are being applied. A clear, authoritative judicial holding on the meaning of a particular provision should not be cast in doubt and subjected to challenge whenever a related though not utterly inconsistent provision is adopted in the same statute or even in an affiliated statute. Legislative revision of law clearly established by judicial opinion ought to be by express language or by unavoidably implied construction.

Antonin Scalia & Bryan A. Garner, *Reading Law: The Interpretation of Legal Texts* 331 (2012).

Applying that interpretative approach in *VE Holding* would have led to preservation, rather than rejection, of this Court's interpretation of § 1400(b). By 1988, this Court's construction of § 1400(b) as being "the sole and exclusive provision controlling venue in patent infringement actions," 353 U.S. at 229, as "not to be supplemented by the provisions of 28 U.S.C. § 1391(c)," *id.*, and as placing "patent infringement cases in a class by themselves, outside the scope of general venue legislation," *Brunette*, 406 U.S. at 713, had stood as settled law of the land for decades. Moreover, this Court had already addressed the relationship between § 1400(b) and § 1391(c). In such circumstances, the established construction of § 1400(b) could not rightly be cast aside on the basis of a speculative inference that the minor 1988 language change in § 1391(c) purportedly meant (i) to effect a major change in the patent venue statute, (ii) to strip domestic corporate defendants of patent venue protections that had existed for more than ninety years between 1897 and 1990, and (iii) to overrule multiple decisions of this Court—all without any express language commanding such disruption

and without a word of legislative commentary that any such major change was intended.

It is perhaps overkill to mention that, not only was the 1988 amendment of § 1391(c) unaccompanied by any contemporaneous statement that § 1400(b) was being radically changed, but this Court has continued to view the patent venue statute to be controlled by *Fourco*, rather than the Federal Circuit's decision in *VE Holding*. *See Cortez Byrd Chips, Inc.* v. *Bill Harbert Constr. Co.*, 529 U.S. 193, 204 (2000) (citing *Fourco* to support the view that "Congress had a restrictive intent as to venue in patent cases"); *Atl. Marine Constr. Co.* v. *U.S. Dist. Court for W. Dist. of Tex.*, 134 S. Ct. 568, 577 n.2 (2013) (stating that "Section 1391 governs 'venue generally,' that is, in cases where a more specific venue provision does not apply" and citing 28 U.S.C. § 1400 as "identifying proper venue for copyright and patent suits").

In enacting legislation, Congress too has acted in a way that is nearly impossible to explain unless it also views as good law this Court's decision in *Fourco* rather than *VE Holding*. Just prior to its 2011 amendments to § 1391(c)). Congress enacted a special provision governing whether ATM machines should be viewed as "regular and established" places of business "for purposes of section 1400(b)":

> (c) In an action for infringement under section 281 of title 35, United States Code, of a covered business method patent, an automated teller machine shall not be deemed to be a **regular and established place of business** for purposes of section 1400(b) of title 28, United States Code.

Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 18(c), 125 Stat. 284, 331 (2011) (reproduced in note to 35 U.S.C. § 321 (2012)).

The above-quoted provision makes no sense unless *Fourco* remains good law; for if *VE Holding* were correct, a corporate owner of an ATM would be

deemed to "reside" wherever the machine's use or operation infringed a patent, and it would make no difference whether the machine was deemed to be "a regular and established place of business" for purposes of 28 U.S.C. § 1400(b). The provision would have applicability only to individuals who personally own ATM machines, who operate their ATM machines outside the judicial districts of their personal residence, and who are sued for patent infringement. It is unclear whether any such individuals exist.

VE Holding also departed from a third canon of statutory construction, to wit, the principle that Congress "does not, one might say, hide elephants in mouseholes." *Whitman v. Am. Trucking Ass'ns*, 531 U.S. 457, 468 (2001). *VE Holding* somehow found a huge elephant—indeed, a revolution in patent venue, overturning more than 90 years of stable law—lurking in the smallest of mouseholes—an enactment that was *not* amending the patent venue statute; that was expressly labeled as "Miscellaneous" in the text of the legislation; and that was described in the legislative history as "dealing with relatively minor discrete proposals." H.R. REP. NO. 100-889, at 66 (1988), *as reprinted in* 1988 U.S.C.C.A.N. 5982, 6027. And the revolution in patent venue law was found in a mousehole in a statute that this Court had previously instructed was not to be used in determining patent venue.

D. The Federal Circuit's Reinterpretation of § 1400(b) Undermines the Statutory Structure.

The Federal Circuit's reinterpretation of § 1400(b) has essentially gutted the entire statutory structure of the 1897 Act of Congress. For corporate defendants (which are the vast majority of all patent infringement defendants), the patent venue statute is a dead letter. Under the rule in *VE Holding*, ven-

ue under § 1400(b) is permissible in "any district where there would be personal jurisdiction over the corporate defendant." 917 F.2d at 1583.[10]

The meaning of the word "resides" in § 1400(b) is informed by 28 U.S.C. § 1694 and the canon *in pari materia*, under which "statutes relat[ing] to the same thing . . . are to be taken together, as if they were one law." *United States v. Freeman*, 44 U.S. 556, 564 (1845). This canon clearly applies to 28 U.S.C. § 1400(b) and § 1694, which were originally one law (enacted as the first and second sentences of the 1897 Act, *see* 29 Stat. at 695–96) and which use the terms "resides" and "resident" in ways that confirm *Fourco*'s construction of § 1400(b).

28 U.S.C. § 1694 authorizes service of process in patent infringement actions commenced "in a district where the defendant is *not a resident* but has a regular and established place of business" (emphasis added). As construed in *Fourco*, the word "resides" in § 1400(b) connotes the same domiciliary relation between a defendant and a judicial district as does the word "resident" in § 1694. In the context of § 1694, there is no question but that the term "resident" is "synonymous" with "inhabitant," and "those synonymous words mean *domicile*, and, in respect of corporations, mean the state of incorporation only." *Fourco*, 353 U.S. at 226 (emphasis in original). Sec-

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[10] As set forth more fully *infra*, the Federal Circuit has taken an extremely expansive view of state authority to exercise extraterritorial personal jurisdiction. *See Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558, 1568 (Fed. Cir. 1994) ("Beverly will be able to seek redress in Virginia for sales of the accused fan to consumers in these other states."). These theories have enabled patent plaintiffs to circumvent the territorial limits of 28 U.S.C. § 1694 and bring back the "abuses" that the patent venue statute was enacted to remedy. *Schnell*, 365 U.S. at 262 (quoting *Stonite*, 315 U.S. at 563).

tion 1694 is not a venue statute, and even under the reasoning of *VE Holding*, was not changed by the 1988 amendments to § 1391(c).

But under the Federal Circuit's reinterpretation of § 1400(b), the term "resides" in § 1400(b) purportedly has a very different meaning than does the term "resident" in § 1694. Under the Federal Circuit's reinterpretation, a judicial district can purportedly be one in which a domestic corporate defendant simultaneously "resides" (§ 1400(b)) but "is not a resident" (§ 1694). Adherence to the original meaning of "resides" in § 1400(b) avoids this anomalous result.

The meaning of the word "resides" in § 1400(b) is also informed by the statute's separate provision of venue, "where the defendant has committed acts of infringement and has a regular and established place of business." Under the Federal Circuit's reinterpretation of § 1400(b), a domestic corporate defendant is "deemed" to reside in any district where it is subject to personal jurisdiction, and the presence or absence of "a regular and established place of business" is irrelevant—as this case illustrates. A statute ought not be construed "in a manner that renders it 'entirely superfluous in all but the most unusual circumstances.'" *Roberts v. Sea-Land Servs., Inc.*, 132 S. Ct. 1350, 1358 (2012) (quoting *TRW Inc. v. Andrews*, 534 U.S. 19, 29 (2001)).

It is no accident that "Congress had a restrictive intent as to venue in patent cases," *Cortez Byrd*, 529 U.S. at 204, and acted "to define the exact jurisdiction of the . . . courts in these matters," *Schnell*, 365 U.S. at 262 (quoting *Stonite*, 315 U.S. at 565 n.5). Although patent infringement "is essentially a tort," *Carbice Corp. of Am. v. Am. Patents Dev. Corp.*, 283 U.S. 27, 33 (1931), it is a tort that differs in important respects from other torts that federal courts are called upon to remedy. Acts that may constitute patent infringement can occur thousands of miles away from a patentee, without the actor being aware of a patent's or a patentee's existence, and without either the patentee or the actor being aware that any

invasion of rights has occurred. "Direct infringement is a strict-liability offense." *Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 1920, 1926 (2015).

Injury from patent infringement can be characterized as occurring thousands of miles away from a patentee or from where a defendant develops products whose later use or sale may constitute patent infringement. *See, e.g., N. Am. Philips Corp. v. Am. Vending Sales, Inc.*, 35 F.3d 1576, 1578–80 (Fed. Cir. 1994) (holding that corporate plaintiffs domiciled in Delaware and New Hampshire suffered injury in Illinois by reason of alleged acts of infringement committed in Illinois).

Because the Federal Circuit's interpretation of § 1400(b) encourages plaintiffs to sue defendants in districts not covered by the federal service of process statute, there is now a gap between the reach of § 1400(b) (very broad) and the reach of the federal service of process statute § 1694 (still its original scope). As this case illustrates, plaintiffs relying on *VE Holding* typically invoke Federal Rule of Civil Procedure 4(k)(1)(A) and state "long-arm" statutes to start patent infringement actions.[11] But such stat-

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[11] Federal Rule of Civil Procedure 4(k)(1)(A) provides in part: "Serving a summons . . . establishes personal jurisdiction over a defendant: (A) who is subject to the jurisdiction of a court of general jurisdiction in the state where the district court is located." Delaware Code section 3104(c), in turn, provides in part: "As to a cause of action brought by any person arising from any of the acts enumerated in this section, a court may exercise personal jurisdiction over any nonresident . . . who in person or through an agent . . . [c]auses tortious injury . . . outside of the State by an act or omission outside the State if the person regularly does or solicits business, engages in any other persistent course of conduct in the State or derives substantial revenue from services, or things used or consumed in the State." The basis of extraterritorial personal jurisdiction prescribed in the Delaware "long-arm" statute is similar to that of

Footnote continued

utes (unlike a federal service of process statute) are subject to constitutional limits based on a defendant's contacts with the forum *state* (*i.e.*, the relevant sovereign authorizing service). The constitutional limits on state service of process, however, create a problem for plaintiffs: absent a basis for general personal jurisdiction, a plaintiff cannot seek relief for infringements committed outside the forum state unless the plaintiff can invoke a very expansive theory of specific personal jurisdiction.[12]

The Federal Circuit has been developing broad theories of specific personal jurisdiction to fill the gap caused by the divergence between the scope of § 1694 and the expanded scope of venue under *VE Holding*. Under Federal Circuit precedent, states are said to have broad authority to regulate the conduct of non-residents that commit allegedly infringing acts outside the forum state causing injury outside the forum state. *See Beverly Hills*, 21 F.3d at 1568 (allowing the plaintiff-patentee "to seek redress

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Footnote continued from previous page

the North Carolina "long-arm" statute that this Court held in *Goodyear Dunlop Tires Operations S.A. v. Brown*, 564 U.S. 915, 926–27 & n.4 (2011) was insufficient to establish personal jurisdiction with respect to allegedly tortious conduct committed outside of North Carolina and causing injury outside the state. The decision below rests on a theory of personal jurisdiction that is similar to the one being reviewed this Term in *Bristol-Myers Squibb Co. v. Superior Court of California*, No. 16-466.

[12] Except where a defendant is "at home" in a state, *Goodyear*, 564 U.S. at 929, a state's constitutional authority to require a non-resident to appear and defend a claim is limited to claims that arise from "an 'activity or an occurrence that takes place in the forum State.'" *Walden v. Fiore*, 134 S. Ct. 1115, 1121 n.6 (2014) (quoting *Goodyear*, 564 U.S. at 919).

in Virginia for sales of the accused fan to consumers in these other states"). In this case, for example, the Respondent does not complain merely of alleged infringement in Delaware, but asserts claims based on activity in Indiana, California, and other non-Delaware locations on the basis of a Delaware "long-arm" statute that prescribes a purported basis for extraterritorial personal jurisdiction (*see supra* note 11).

Returning to this Court's interpretation of § 1400(b) would mean that non-consenting domestic corporate defendants[13] would be subject to suit for patent infringement only in those judicial districts that § 1400(b) specifies, with the terms "resides" and "resident" in §§ 1400(b) and 1694 both referring to a defendant's domicile, which in the case of a corporate defendant means "the state of incorporation only." *Fourco*, 353 U.S. at 226. In those districts, the federal statute 28 U.S.C. § 1694 authorizes service of a summons on a non-resident defendant's agents and thereby establishes specific jurisdiction on a nationwide basis in the manner specifically authorized by Congress. In short, returning to this Court's interpretation of § 1400(b) would reestablish the system Congress authorized and eliminate the incentive for the Federal Circuit to develop expansive theories of personal jurisdiction.

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[13] Section 1400(b) confers a venue privilege that "may be waived." *Marvel*, 287 U.S. at 435 (rejecting venue challenge). Enforcing the original understanding of § 1400(b) would not limit patent venue where, as in the *Marvel* case, a defendant has voluntarily submitted itself to suit for patent infringement in a judicial district. Section 1400(b) also has no application to alien defendants. *See Brunette*, 406 U.S. at 714.

E. The Federal Circuit's Reinterpretation of § 1400(b) Has Brought Back the Very "Abuses" That Congress Sought to Avoid.

Because injury from alleged patent infringement can be said to occur thousands of miles away from a patentee or from where a defendant develops accused products, the Federal Circuit's reinterpretation of § 1400(b) has rendered patent plaintiffs uniquely able to file suit in districts chosen for their geographical remoteness from a defendant and for local norms and practices that tend to favor patent plaintiffs in various ways. The elimination of venue protections has thus led to serious abuses, even though Congress enacted § 1400(b) precisely to prevent such abuses of nationwide venue in patent infringement litigation.

In amicus curiae briefs filed in support of the petition stage of this case, amici reported that the Federal Circuit's revisionist interpretation of § 1400(b) has:

- Resulted in "rampant and unseemly forum shopping" that "hampers innovation, generates erroneous results, and undermines respect for the rule of law." Brief of Amici Dell Inc. and the Software & Information Industry Association at 3, 6.
- "[L]ed to pervasive forum shopping" that "has fundamentally altered the landscape of patent litigation in ways detrimental to the patent system as a whole." Brief of Amici 32 Internet Companies, Retailers, and Associations at 3, 17 (citation omitted).
- Produced "a massive imbalance in the distribution of patent suits in the United States" that undermines "core purposes underlying our patent laws." Brief of Amici American Bankers Association, the Clearing

House Payments Company L.L.C., Financial Services Roundtable and Consumer Bankers Association at 8–9.

- Engendered abusive "forum shopping [of] the very sort" that "Congress sought to guard against when it adopted legislation limiting venue in patent litigation." Brief of Amicus Washington Legal Foundation at 14.
- Generated a "venue free-for-all" that "especially harms small companies and American consumers" and that "may be drawing courts into competition to *attract* patent owners—the ones with unilateral choice over forum—by adopting practices and procedures favorable to patent owners." Brief of Amici the Electronic Frontier Foundation and Public Knowledge at 3, 21.
- "[F]undamentally shaped the landscape of patent litigation in ways that harm the patent system, by enabling extensive forum shopping and forum selling." Brief of Amici 56 Professors of Law and Economics at 12.
- "[C]reated numerous practical negative consequences" including "concentration of most patent litigation [in] a select few district courts, which is bad for positive development of patent law." Brief of Amicus Paul R. Michel (retired Chief Judge of the Federal Circuit) at 1.

To curb many of these abuses, this Court need merely accord the patent venue statute the original and plain meaning it had (i) at the time of its original enactment in 1897, (ii) at the time of its re-

enactment in the 1911 Judicial Code, (iii) at the time of its codification in the 1948, and (iv) at the multiple times this Court has applied or referred to its long-established construction of § 1400(b) in cases such as *Cortez Byrd*, 529 U.S. at 204, *Radzanower*, 426 U.S. at 153–58, *Brunette*, 406 U.S. at 713, *Pure Oil*, 384 U.S. at 207, *Schnell*, 365 U.S. at 262, and *Fourco*, 353 U.S. at 228–29.

II. UNDER THE CURRENT VERSION OF § 1391, FOURCO IS CLEARLY CORRECT.

In 2011, Congress rewrote § 1391 and repealed the statutory language in the 1988 version of § 1391(c) that *VE Holding* and the decision below treated as having changed the meaning of 28 U.S.C. § 1400(b). The 2011 Act also created a new 28 U.S.C. § 1391(a), titled "Applicability of Section," which reads in pertinent part: "*Except as otherwise provided by law*—(1) this section shall govern the venue of all civil actions brought in district courts of the United States . . . ." (emphasis added). The text of current 28 U.S.C. § 1391 makes the question presented in this case even easier to resolve than it was at the time of *Fourco* because § 1391 then lacked any harmonizing provision like current § 1391(a).[14]

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[14] The sole legislative report on the 2011 Act—House Report No. 112-10—states that "[n]ew paragraph 1391(a)(1) would follow current law in providing the general requirements for venue choices, *but would not displace the special venue rules that govern under particular Federal statutes.*" H.R. REP. NO. 112-10, at 18 (2011). As construed in *Fourco*, 28 U.S.C. § 1400(b) prescribes a "special" venue rule that governs patent cases. *Cf. Pure Oil*, 384 U.S. at 207 (holding that "in contrast to the situation dealt with in *Fourco*, the basic intent of the Congress is best furthered by carrying the broader residence definition of § 1391(c) into the Jones Act").

The decision below rejects the 2011 Act as a basis for following this Court's interpretation of § 1400(b) in *Fourco* on two grounds, neither of which has merit. First, the decision below characterizes *Fourco* as having announced "federal common law" and, as such, was not a type of "law" referred to by the phrase "except as otherwise provided by law" in current § 1391(a). Pet. App. 6a–7a. In fact, *Fourco* construed the meaning of statutory language. The proper meaning of the phrase, "the judicial district in which the defendant resides," 28 U.S.C. § 1400(b), is not a matter of "federal common law," but rather is a matter of construing the meaning of "resides" and "resident" in 28 U.S.C. §§ 1400(b) and 1694 in a manner that preserves the original meaning of the language and the balanced, integrated scheme for directing the filing of patent infringement suits as those two provisions prescribe.

The decision below alternatively holds that, even if case law interpreting a statute is "law" within the meaning of the phrase, "[e]xcept as otherwise provided by law" in 28 U.S.C. § 1391 (2012), the relevant case "law" that existed at the time of the 2011 Act was not the law stated by this Court in *Fourco*, but rather the law stated by the Federal Circuit in its *VE Holding* decision. The decision below states: "Even if Congress' 2011 amendments were meant to capture existing federal common law. . . . *Fourco* was not and is not the prevailing law that would have been captured. We reject [Petitioner's] argument that in 2011 Congress codified the common law regarding venue in patent suits as described in *Fourco*." Pet. App. 8a.

In support of that last conclusion, the court below cited three scattered legislative reports that purportedly "recognized that *VE Holding* is the prevailing law." *Id.* Not one of those legislative reports was associated with Congress's 2011 amendments to § 1391. Indeed, not one of those reports is even from the *same Congress* as the one that enacted the 2011 amendments to § 1391(c).

In any event, the Federal Circuit has no authority to depart from precedents of this Court, and it is thus irrelevant whether a legislative report may have "recognized that *VE Holding* is the prevailing law." *Id.* In recent years, this Court has disapproved a number of Federal Circuit precedents that district courts or legislators might have "recognized" as "law" until this Court intervened. *See* Pet. at 27–28 & n.15.

Furthermore, this Court has already articulated a view about whether lower court decisions can "judicially settle" a question related to patent law: "A question arising in regard to the construction of a statute of the United States concerning patents for inventions cannot be regarded as judicially settled when it has not been so settled by the highest judicial authority which can pass upon the question." *Andrews v. Hovey*, 124 U.S. 694, 716 (1888). Recent decisions of this Court have graphically demonstrated this point. *See, e.g.*, *Limelight Networks, Inc. v. Akamai Techs., Inc.*, 134 S. Ct. 2111, 2117 (2014) ("The Federal Circuit's analysis fundamentally misunderstands what it means to infringe a method patent."); *Bilski v. Kappos*, 561 U.S. 593, 612 (2010) ("[N]othing in today's opinion should be read as endorsing interpretations of § 101 that the Court of Appeals for the Federal Circuit has used in the past."); *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 415 (2007) ("We begin by rejecting the rigid approach of the Court of Appeals.").

Section 1400(b) was held in *Fourco* to prescribe a special, specific venue rule for patent infringement actions that falls easily within § 1391(a)'s current language, "[e]xcept as otherwise provided by law." Section 1400(b) plainly is a "law" that "otherwise provide[s]" for venue rules in patent infringement actions. Under this Court's precedents, *Fourco*'s interpretation of § 1400(b) remained good law in 2011 because it had never been overruled by this Court. By contrast, in 2011, *VE Holding* could not be regarded as "judicially settled" because it had not been

settled by the highest judicial authority capable of passing upon the question. In such circumstances, this Court should preserve its authoritative interpretation, rather than the Federal Circuit's.

CONCLUSION

The decision below should be reversed and the case remanded with instructions that venue of this action is improper in the District of Delaware.

Respectfully submitted,

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No. 16-341

IN THE

Supreme Court of the United States

TC HEARTLAND LLC,

Petitioner,

v.

KRAFT FOODS GROUP BRANDS LLC,

Respondent.

On Writ of Certiorari
to the United States Court of Appeals
for the Federal Circuit

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QUESTION PRESENTED

The Court granted certiorari on the following question:

Whether 28 U.S.C. § 1400(b) is the sole and exclusive provision governing venue in patent infringement actions and is not to be supplemented by 28 U.S.C. § 1391(c).

RULE 29.6 STATEMENT

Kraft Heinz Foods Co. is the parent company of Kraft Foods Group Brands LLC. Kraft Heinz Foods Co. is indirectly wholly owned by The Kraft Heinz Company, a publicly traded company. Berkshire Hathaway, Inc., a publicly traded company, beneficially owns more than 10% of the outstanding common stock of The Kraft Heinz Company.

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BRIEF FOR THE RESPONDENT

The question presented is answered by a statute adopted in 2011 that petitioner TC Heartland LLC ("Heartland") barely acknowledges. In 2011, Congress adopted revised definitions of residence that apply "[f]or all venue purposes." 28 U.S.C. § 1391(c). The undefined term "resides" or "residence" appears in venue statutes throughout the United States Code, and the lack of a statutory definition had left courts struggling to ascertain the residence of an individual, an unincorporated business, or a corporate plaintiff. The definitions adopted in 2011 answered all of those questions, for *all* venue statutes. And Heartland no longer disputes that under the 2011 definition, it resides in Delaware, where this suit was brought.

Instead, Heartland contends that Congress meant to leave patent-infringement cases out—that Congress meant to define "residence" for all venue purposes *except* patent-venue purposes. The text, history, and structure of the venue statutes all refute that argument. Ultimately Heartland and its amici are just arguing that, as a policy matter, corporations should enjoy a dramatically broader venue privilege in patent-infringement cases than they enjoy in other cases. That argument should be addressed to Congress, which has been actively considering detailed proposals to change patent venue. Notably, all of those proposals are more nuanced than Heartland's, which in many cases would allow even a multinational corporation to insist on being sued in *one* specific district.

STATEMENT

A. Statutory Background

Three statutory provisions are relevant to whether venue over this case is proper in Delaware. One provision specifies that venue in a patent-infringement case is proper where the defendant "resides." The second defines "residence" "[f]or all venue purposes." The third defines "venue." The current provisions were adopted in 2011 (although Heartland focuses on previous versions).

1. Venue is "the geographic specification of the proper court or courts for the litigation" of a particular case. 28 U.S.C. § 1390(a). In contrast to personal jurisdiction, which "goes to the court's power to exercise control over the parties," venue is "primarily a matter of choosing a convenient forum." *Leroy v. Great W. United Corp.*, 443 U.S. 173, 180 (1979). Venue in the federal courts has been governed by statute since 1789.

The Judiciary Act of 1789 provided that venue in federal civil cases was proper where the defendant was "an inhabitant" or wherever the defendant could be "found" for service of process. Act of Sept. 24, 1789, ch. 20, § 11, 1 Stat. 73. In 1887, Congress eliminated the latter provision, leaving plaintiffs in federal-question cases with one venue option: the judicial district "inhabit[ed]" by the defendant. Act of Mar. 3, 1887, ch. 373, § 1, 24 Stat. 552. Corporate defendants were deemed to "inhabit" only the state of their incorporation. *See Shaw v. Quincy Mining Co.*, 145 U.S. 444, 448 (1892).

Relying on dicta in *In re Hohorst*, 150 U.S. 653 (1893), several lower courts held that the 1887 Act did not apply to cases entrusted to exclusive federal jurisdiction, such as patent-infringement cases. *See, e.g.*, *Earl v. Southern Pac. Co.*, 75 F. 609, 611 (9th Cir. 1896). Under that interpretation, valid service alone was sufficient to establish venue. *Ibid.* Congress "responded promptly" by enacting a specialized patent venue statute in 1897. *Brunette Machine Works, Ltd. v. Kockum Industries, Inc.*, 406 U.S. 706, 712 (1972). The new statute rejected the service-based standard of venue, but still provided patent-infringement plaintiffs with "an advantage" over plaintiffs in other federal-question cases. *Id.* at 713 n.13. Specifically, the 1897 Act allowed patent owners to file suit in either (1) a district of which the defendant was "an inhabitant," or (2) a district in which the defendant maintained a "regular and established place of business" *and* committed acts of infringement. Act of Mar. 3, 1897, ch. 395, 29 Stat. 695.

2. In 1948, as part of the revision of the Judicial Code, Congress recodified the special patent venue statute as 28 U.S.C. § 1400(b). That provision read (and still reads): "Any civil action for patent infringement may be brought in the judicial district [1] where the defendant resides, or [2] where the defendant has committed acts of infringement and has a regular and established place of business." 28 U.S.C. § 1400(b) (1952).

As part of the same revision, Congress codified the general venue rules into a new statute, *see* 28 U.S.C. § 1391(a), (b) (1952), while also adding a provision to

govern venue in cases against corporate defendants, *id.* § 1391(c). The new Section 1391(c) provided:

> (c) A corporation may be sued in any judicial district in which it is incorporated or licensed to do business or is doing business, and such judicial district shall be regarded as the residence of such corporation for venue purposes.

Ibid. In the first clause of this subsection, Congress provided a substantive venue rule, establishing that corporations could be sued not only in their state of incorporation, but also in any judicial district in which they were "licensed to do business" or were "doing business." *Ibid.* In the second clause, Congress stipulated that any judicial district that satisfied these criteria would be the corporation's "residence." *Ibid.*

After 1948, lower courts divided over whether to apply Section 1391(c) to determine "residence" in patent-infringement cases. This Court resolved the split in *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222 (1957), holding that Section 1391(c) did not "supplement[]" the venue options provided by Section 1400(b). *Id.* at 229. In reaching that conclusion, the Court relied on legislative history indicating that Congress had not intended to make any "substantive change[s]" through the 1948 recodification that were not "explained in detail in the Revisers' Notes." *Id.* at 226-27. Because the Revisers' Notes did not mention any change to patent venue, the Court held that no change should be recognized. *Id.* at 228.

3. In 1988, Congress revised Section 1391(c). *See* Judicial Improvements and Access to Justice Act of

1988 ("1988 Act"), Pub. L. No. 100-702, § 1013, 102 Stat. 4642. Following the 1988 amendments, the first sentence of Section 1391(c) read as follows:

> (c) For purposes of venue under this chapter, a defendant that is a corporation shall be deemed to reside in any judicial district in which it is subject to personal jurisdiction at the time the action is commenced.

28 U.S.C. § 1391(c) (1988). This amendment altered Section 1391(c) in three ways. *First*, Section 1391(c) became a purely definitional provision that no longer contained any substantive venue rules specifying where corporations "may be sued." *Second*, the definition became broader: a corporate defendant became a resident of "any judicial district in which it is subject to personal jurisdiction," rather than any district in which it was "doing business." *Ibid.* *Third*, Congress applied this broader definition of corporate residence "[f]or purposes of venue under this chapter" (*i.e.*, Chapter 87 of Title 28, "District Courts; Venue"), which includes Section 1400(b). *Ibid.*

In 1990, the Federal Circuit held that the revised Section 1391(c) defined the "residence" of a corporate defendant for purposes of Section 1400(b), since the latter provision is part of Chapter 87 of Title 28. *See VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1582 (Fed. Cir. 1990). The court of appeals reasoned that its holding was consistent with *Fourco* because, in contrast to the first clause of the old Section 1391(c), the 1988 version of Section 1391(c) did not purport to "establish[] a patent venue rule separate and apart from that provided under § 1400(b)." *Id.* at 1580. Rather, it "only operate[d] to

define a term in § 1400(b)" that was nowhere defined in Section 1400(b) itself. *Ibid.*

5. In 2011, Congress made its most significant revision to the venue statutes, including adopting the text operative here. The Federal Courts Jurisdiction and Venue Clarification Act of 2011, Pub. L. No. 112-63, 125 Stat. 758 (2011) ("Venue Clarification Act" or "2011 Act"),[1] emerged from a years-long reform project spearheaded by the American Law Institute ("ALI"). *See* ALI, *Federal Judicial Code Revision Project* (2003) ("ALI Project"). Congress based the law it ultimately enacted on the ALI Project, after the proposal was further vetted by the Judicial Conference's Committee on Federal-State Jurisdiction, academics, and numerous bar and trade associations. H.R. Rep. No. 112-10, at 1-3 (2011) ("House Report"). As the House Judiciary Committee explained, the revision was intended to "bring[] more clarity" to both jurisdiction and venue law. *Id.* at 1.

The Venue Clarification Act restructured venue law in several significant ways. Most important here, Congress substantially revised Section 1391(c) to provide a comprehensive definition of "residence" "[f]or all venue purposes." The new definitional subsection now reads:

> (c) RESIDENCY.—*For all venue purposes*—
>
> (1) a natural person, including an alien lawfully admitted for permanent residence in the United States, shall be deemed to reside in

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[1] Heartland refers to this statute as the "Federal Courts Jurisdiction and Clarification Act of 2011" (Heartland Br. 13)—dropping the key word "Venue" from the statute's title.

> the judicial district in which that person is domiciled;
>
> (2) an entity with the capacity to sue and be sued in its common name under applicable law, whether or not incorporated, shall be deemed to reside, if a defendant, in any judicial district in which such defendant is subject to the court's personal jurisdiction with respect to the civil action in question and, if a plaintiff, only in the judicial district in which it maintains its principal place of business; and
>
> (3) a defendant not resident in the United States may be sued in any judicial district, and the joinder of such a defendant shall be disregarded in determining where the action may be brought with respect to other defendants.

28 U.S.C. § 1391(c) (emphasis added). Congress also defined "venue" in a new provision, 28 U.S.C. § 1390(a), which specifies that "the term 'venue' refers to the geographic specification of the proper court or courts for the litigation of a civil action," and does not refer to statutes granting subject-matter jurisdiction only to a particular court.[2]

Thus, current Section 1391(c)(2) harmonizes the treatment of incorporated and unincorporated entities by extending the jurisdiction-based definition of "residence" to both types of defendants. Section 1391(c)(1), in turn, defines the residence of natural persons. And Section 1391(c)(3) provides a rule for

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[2] Section 1390(b) also carves out admiralty cases as an exception to the general venue rules.

defendants that do not reside in the United States, replacing former Section 1391(d), which had provided that "[a]n alien may be sued in any district," 28 U.S.C. § 1391(d) (2006). By its plain language, Section 1391(c) now governs "[f]or all venue purposes." As explained in the House Report, the new Section 1391(c) "appl[ies] to all venue[]statutes, including venue provisions that appear elsewhere in the United States Code," in contrast to old Section 1391(c), "which applie[d] only to corporations as defendants, and only for purposes of venue under Chapter 87." House Report 20.

B. Proceedings Below

A unit of Kraft Foods pioneered "liquid water enhancers" ("LWEs"), which are flavored beverage mixes that come packaged in convenient pocket-sized containers designed for use "on-the-go." Kraft Foods introduced the highly popular "MiO" brand in 2011, and in less than two years, the market for LWEs grew to be worth almost half a billion dollars. Shaun Weston, *Liquid Water Enhancers Market Grows 85%*, FoodBev Media (Feb. 20, 2014), http://www.foodbev.com/news/liquid-water-enhancers-market-grows-85. Kraft Foods' LWE innovations have resulted in several patents, which are held by respondent Kraft Food Group Brands LLC ("Kraft").

Heartland is a competitor in the market for LWEs. Kraft sued Heartland for patent infringement in the U.S. District Court for the District of Delaware. The complaint alleges that Heartland's manufacture and sale of LWEs infringes U.S. Patent No. 8,603,557,

which covers Kraft's LWE technology.[3] J.A. 14a-15a. Kraft is organized under Delaware law. J.A. 11a. Heartland is a limited liability company ("LLC") organized under Indiana law. J.A. 22a.[4] It ships accused products directly to Delaware, among other places. Those Delaware shipments resulted in more than $331,000 in sales revenue in a single year. Pet. App. 9a, 19a, 26a.

1. Heartland moved to dismiss Kraft's complaint in part and to transfer the case to the Southern District of Indiana. J.A. 27a. Heartland's lead defense was lack of personal jurisdiction, which is not at issue in this Court.

As to transfer, Heartland argued that Section 1400(b) did not authorize venue in the District of Delaware. J.A. 39a-40a. Heartland asserted that Congress had overturned the Federal Circuit's decision in *VE Holding* in 2011, and that under the new statute, Heartland resided *only* in Indiana. Because Heartland has no facilities (and thus no "regular and established place of business") in Delaware, Heart-

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[3] The complaint also alleged infringement of two other patents owned by Kraft. J.A. 13a-14a. Kraft is no longer asserting those patents in the case.

[4] The complaint alleged, apparently inaccurately, that TC Heartland *LLC* was a "corporation organized and existing under the laws of the State of Indiana." J.A. 11a. Heartland admitted this allegation in its answer, *see* J.A. 60a, and repeatedly described itself in court papers as a "corporation" "incorporated" in Indiana. J.A. 51a, 52a ("Heartland is an Indiana corporation"). But Heartland also described itself as an LLC, which appears to be the accurate characterization. J.A. 22a, 29a; *accord* Heartland Br. 16.

The complaint also named Heartland Packaging Corporation as a co-defendant. J.A. 10a. Heartland's CEO represented, however, that that corporation is defunct. J.A. 22a.

land argued that the only place it was subject to suit under Section 1400(b) was the Southern District of Indiana. J.A. 46a-47a.

2. The Magistrate Judge recommended denying Heartland's motions in full. Pet. App. 18a-54a.

Beginning with personal jurisdiction, the Magistrate Judge reasoned that Heartland had "minimum contacts" with Delaware, "sufficient to establish specific jurisdiction as to sales of [the accused] product." Pet. App. 29a-32a (quoting *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558, 1568 & n.21 (Fed. Cir. 1994)). The Magistrate Judge rejected Heartland's argument that this Court's intervening decisions, including *Walden v. Fiore*, 134 S. Ct. 1115 (2014), "overruled" this precedent. Pet. App. 32a-33a.

Turning to venue, the Magistrate Judge concluded that "Section 1391(c) continues to operate to define 'resides' in Section 1400(b), as was set out in *VE Holding*." Pet. App. 41a. Therefore, because Heartland was subject to personal jurisdiction in Delaware, venue was proper in Delaware as well. The Magistrate Judge also recommended denying Heartland's Section 1404(a) motion to transfer, which he noted Heartland had only raised "in a cursory fashion." Pet. App. 42a-53a.

The District Court adopted the Magistrate Judge's report in full. Pet. App. 15a-16a.

3. Heartland sought a writ of mandamus from the Federal Circuit, which unanimously denied the petition. Pet. App. 1a-12a.

The Federal Circuit reaffirmed that Section 1391(c) supplies the definition of Heartland's "residence" for

venue purposes. The court observed that the 2011 change in the introductory clause of Section 1391(c) from "[f]or purposes of venue under this chapter" to "[f]or all venue purposes" reflected "a broadening of the applicability of the definition of corporate residence, not a narrowing." Pet. App. 5a. And the court rejected as meritless Heartland's contention that the 2011 Act somehow effectively reinstated *Fourco*'s construction of "the patent venue statute that was in effect prior to the 1988 amendments." *Id.* at 5a-6a.

The Federal Circuit agreed with the District Court's analysis as to personal jurisdiction and held that Heartland's jurisdictional theory was "foreclosed" by circuit precedent. Pet. App. 10a.

4. The parties have continued to litigate this case in the District of Delaware while Heartland pursued relief from the Federal Circuit and then this Court. The case is currently set for trial in October 2017.

SUMMARY OF ARGUMENT

Congress has answered the question presented in unequivocal terms. Following a major revision of venue law in 2011, Section 1391(c)(1)-(3) provides comprehensive definitions of "residence" that apply "[f]or all venue purposes." In light of the statutory definition of "venue," "venue purposes" clearly include the patent-venue statute, Section 1400(b). Applying Section 1391(c)'s definitions of residence to Section 1400(b), Heartland "resides" in any judicial district in which it is subject to personal jurisdiction. This suit therefore was properly filed in Delaware. Neither *Fourco*'s interpretation of statutes that have since been amended, nor the policy arguments put forward by Heartland and its amici, provide any ba-

sis to depart from the unambiguous statutory definition.

I. The statutory text decides this case. Section 1400(b) governs venue in patent-infringement cases, and it specifies that an action may be brought in any judicial district in which, *inter alia*, the defendant "resides." Section 1400(b) does not define "resides," but Section 1391(c) provides definitions—for individuals, corporations, and unincorporated associations—that apply "[f]or *all* venue purposes." 28 U.S.C. § 1391(c) (emphasis added). And another definitional provision, 28 U.S.C. § 1390(a), makes clear that Section 1400(b) is a "venue" statute for purposes of Section 1391(c).

The legislative history confirms what the plain language clearly says: Section 1391(c)'s definitions of "residence" apply to all venue statutes, including patent venue. Those definitions are the product of a major effort to simplify and clarify venue law led by the ALI, which culminated in 2011 when Congress enacted the Venue Clarification Act. The statutory history shows that the drafters of the 2011 Act intended Section 1391(c) to provide global definitions for "residence" in order to resolve several conflicts over how to apply that term, under both general and specialized venue statutes. Moreover, the drafters were aware of judicial precedent concerning patent venue, and they intended to apply Section 1391(c)'s definitions of "residence" to Section 1400(b).

Heartland's contrary interpretation conflicts with the statutory structure and would sow confusion. *First*, Heartland's approach would mean that, in some cases, patent owners could not sue foreign companies for patent infringement *anywhere*. In

Brunette, this Court held that former Section 1391(d), which prevented alien defendants from raising venue objections, applied to patent-infringement actions governed by Section 1400(b). 406 U.S. at 714. But in 2011 Congress revised Section 1391(d) and made it part of Section 1391(c), which Heartland insists does not apply in patent-infringement cases. Heartland's view would therefore overturn *Brunette* and leave no district where a foreign defendant "resides." *Second*, Heartland's interpretation would create inconsistent definitions of "residence" for corporations and unincorporated business entities, such as LLCs and partnerships. Congress adopted a common definition for all of these entities in Section 1391(c)(2). But if Section 1391(c) did not apply, then the residence of unincorporated associations would be controlled by the "doing business" standard this Court adopted in *Denver & Rio Grande W. R.R. v. Brotherhood of R.R. Trainmen*, 387 U.S. 556, 562 (1967), not by *Fourco*. Simply adhering to the plain text of the definitional statute avoids the major structural inconsistencies that Heartland's position would create.

II. This Court's *Fourco* decision does not support Heartland's argument. In *Fourco*, this Court held that an earlier version of Section 1391(c) did not apply to actions governed by Section 1400(b). The Court's conclusion was driven by the legislative history of the 1948 recodification of Title 28, which allowed the Court to conclude that the 1948 amendment did not substantively affect patent-infringement cases. The Venue Clarification Act, by contrast, plainly *did* substantively revise venue law, in several material ways. It turned Section 1391(c) into a comprehensive set of definitions that apply

"[f]or all venue purposes," and it defined "venue" in Section 1390(a). Congress thus spoke clearly about the scope of Section 1391(c)'s application, and this Court should effectuate that judgment. Congress was not required to state expressly that it was abrogating *Fourco* when it adopted new statutory language that unambiguously does exactly that.

Heartland largely ignores the Venue Clarification Act and the operative statutory text, choosing instead to focus on critiquing the Federal Circuit's earlier *VE Holding* decision, which examined the earlier 1988 amendment to Section 1391(c). But *VE Holding* obviously did not have the benefit of the unambiguous language of the 2011 Act. It is the *current* statute, not a *past* Federal Circuit decision, that is now before the Court.

III. The policy objections that Heartland and its amici raise do not justify disregarding the statutory text and, in any event, fail on their own terms, because the restrictive and outdated definition of residence that Heartland defends would cause more problems than it solves. Heartland's definition would deem each corporation to reside in only *one* jurisdiction, the state of incorporation. That would heighten, not reduce, the concentration of patent-infringement cases in a handful of judicial districts—primarily the districts where most companies are incorporated, such as the District of Delaware. Heartland's definition would also bizarrely lead to cases in which a patent owner could not sue an infringer at the infringer's own principal place of business. And it would impose significant burdens on patent owners in the common scenario where there are multiple

accused infringers, as there would often be no single venue in which all of the defendants could be sued.

These disruptions to venue law are unnecessary, because courts can address concerns about forum-shopping by enforcing personal-jurisdiction requirements and by transferring cases between districts under 28 U.S.C. § 1404(a). Moreover, Congress is far better positioned to reform venue appropriately. The only options for this Court are to apply Section 1391(c)'s definition of "residence" or to revive the place-of-incorporation approach that is widely considered too restrictive. By contrast, Congress can develop a venue rule that limits forum-shopping without also impairing the ability of operating companies to enforce their patent rights in an appropriate district.

ARGUMENT

Instead of addressing the statutory text that is in force *today*, Heartland contends that the outcome of this case is controlled by a 60-year old decision interpreting venue statutes that have since been amended twice over. But "[t]he starting point in discerning congressional intent is the existing statutory text, and not the predecessor statutes." *Lamie v. United States Trustee*, 540 U.S. 526, 534 (2004). The existing statutory text is clear: Congress has expressly defined "residence" "[f]or all venue purposes." And it has defined "venue" to include the patent venue statute. Congress's definition of "residence" therefore is the controlling one. Under that definition, Heartland resides in the District of Delaware. The Court of Appeals' judgment should be affirmed.

I. Congress Has Expressly Defined Where A Defendant "Resides" For All Venue Purposes.

"In statutory construction," the Court always "begin[s] with the language of the statute." *Kingdomware Techs., Inc. v. United States*, 136 S. Ct. 1969, 1976 (2016) (quotation marks omitted). In this case, the Court should also end there. The text clearly establishes that Section 1391(c)'s definition of "residence" applies "[f]or all venue purposes." And a separate definition confirms what is already self-evident—that "all venue purposes" include *patent*-venue purposes.

A. Section 1391(c)'s Definition Of Residence Applies "For All Venue Purposes," Which Include 28 U.S.C. § 1400(b).

Venue in patent-infringement cases is governed by 28 U.S.C. § 1400(b), which provides:

> Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.

Section 1400(b) is one of many venue statutes, both in Title 28 and outside it, that use the term "resides" or "residence" without further defining it.[5]

Section 1391(c), in turn, defines "[r]esidence" "[f]or all venue purposes." 28 U.S.C. § 1391(c). Paragraphs (1)-(3) explain how to ascertain the residence

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[5] *See, e.g.*, 28 U.S.C. §§ 1396, 1397, 1398, 1402; 15 U.S.C. §§ 15, 15a; 18 U.S.C. § 1965(a).

of, respectively: (1) natural persons; (2) corporations, LLCs, and other artificial entities with the capacity to sue or be sued; and (3) non-residents of the United States. *Ibid.*

"Statutory definitions control the meaning of statutory words . . . in the usual case." *Burgess v. United States*, 553 U.S. 124, 129 (2008) (citation omitted; alteration in original). Indeed, where a term has "a defined meaning," "the definition is virtually conclusive." Antonin Scalia & Bryan A. Garner, *Reading Law: The Interpretation of Legal Texts* 228 (2012). The question presented here thus turns on whether the definitions in Section 1391(c) control the meaning of the term "resides" in the patent-venue statute, just as they do in all other venue statutes that use that term. The unambiguous answer is "yes."

The text of Section 1391(c) sweeps broadly, extending to "*all* venue purposes." 28 U.S.C. § 1391(c) (emphasis added). In using the term "all," Congress chose language that is "clear, broad, and unqualified." *Norfolk & Western Ry. Co. v. Am. Train Dispatchers Ass'n*, 499 U.S. 117, 127 (1991) (interpreting the phrase "all other law"); *accord Vadnais v. Federal Nat'l Mortgage*, 754 F.3d 524, 526 (8th Cir. 2014) ("'[A]ll' means all." (citation omitted)).

Congress also defined what counts as a "venue purpose[]." Under Section 1390(a) ("Venue Defined"), "the term 'venue' refers"—for purposes of the statutory chapter that includes Sections 1391(c) and 1400(b)—"to the geographic specification of the proper court or courts for the litigation of a civil action that is within the subject-matter jurisdiction of the district courts in general." 28 U.S.C. § 1390(a). By contrast, "venue" "does not refer to any grant or re-

striction of subject-matter jurisdiction providing for a civil action to be adjudicated only by the district court for a particular district or districts." *Ibid.*

Section 1400(b) has a "venue purpose" under Section 1390(a)'s definition: actions for patent infringement are "civil actions," and Section 1400(b) does not restrict subject-matter jurisdiction. Accordingly, because Section 1391(c)'s definitions of "residence" apply for "all venue purposes," those definitions supply the meaning of the term "resides" as used in Section 1400(b). It really is that simple.

B. Congress Adopted The Current Definition Of "Residence" As Part Of A Carefully Calibrated Package Of Reforms In The Venue Clarification Act.

When, as here, the "words of the statute are unambiguous, the judicial inquiry is complete." *Desert Palace, Inc. v. Costa*, 539 U.S. 90, 98 (2003) (quotation marks omitted). Nevertheless, the history of the Venue Clarification Act, which adopted the current version of Section 1391(c) and added Section 1390(a)'s definition of venue, confirms what the plain text makes clear: Section 1391(c)'s definitions of "residence" apply globally to *all* venue statutes, including Section 1400(b).

1. As noted, p. 6, *supra*, Congress based the 2011 Act on the ALI's proposal for venue reform. *See* House Report 1-3. One of the ALI Project's recommendations, which Congress adopted, was to modify and expand Section 1391(c) in order to provide uniform definitions of "residence" that would apply to venue statutes throughout the U.S. Code. The new version of Section 1391(c) was intended to be "sweep-

ing," because it "comprehensively defines residence for purposes of party-based venue." ALI Project 177-78. The legislative history confirms that Section 1391(c)'s definitions "would apply to *all* venue[] statutes," "*[u]niversally*," and mentions no exception. House Report 20 (first emphasis added).

By using an all-purpose definition for "residence," the ALI Reporters (and ultimately Congress) were able to clarify venue law without undertaking the "challenging, delicate, and indeed agonizing" process of amending or repealing more than 200 specialized venue statutes. ALI Project 168; *see* House Report 18 n.8. The new, cross-cutting definitions resolved several points of confusion under existing venue statutes. For example:

- *Natural persons.* Section 1391(c)(1) resolved a "longstanding split" over the meaning of "residence" for natural persons. Courts had divided over whether residence meant only an individual's "domicile" rather than a more transitory address. ALI Project 178; *see also* House Report 20-21. Section 1391(c)(1) adopted the "domicile" approach.

- *Unincorporated associations.* Section 1391(c)(2) resolved a "division in authority" concerning the residence of unincorporated associations, such as LLCs. House Report 21. In *Denver & Rio Grande Western R.R. v. Brotherhood of R.R. Trainmen*, 387 U.S. 556 (1967), this Court held that an unincorporated association resides for venue purposes in any district in which it is doing business, *id.* at 562. The Court reached that decision by analogy to the definition of residence that then applied to corporations. *Ibid.*

After Congress broadened the definition of corporate residence, courts split over whether the change implicitly expanded the definition for unincorporated associations as well. House Report 21. ALI's proposal, which Congress adopted, "end[ed] this actual and potential confusion" by adopting a single definition of residence for corporations and unincorporated entities. ALI Project 191.

- *Non-U.S. residents.* Before the 2011 Act, "aliens"—including lawful permanent residents of the United States—had no venue defense because, under former Section 1391(d), they could be sued in any district. *See Brunette*, 406 U.S. at 708. That was just as true for patent venue as for all other venue statutes, as this Court held in *Brunette*. *Id.* at 714. The ALI Project proposed, and Congress adopted, amendments retaining the principle that overseas defendants have no venue defense, but changing the focus from *citizenship* to *residence*. *See* House Report 22-23; ALI Project 199-201. Under the new statute, only defendants that do not "reside[]" in the United States, as that term is defined in the preceding two paragraphs, are subject to suit in any judicial district. 28 U.S.C. § 1391(c)(3). Lawful permanent residents, like other natural persons, now "reside" in the district in which they are domiciled. *Id.* § 1391(c)(1).

In adopting this new, comprehensive definition of "residence," the ALI Project explained that Section 1391(c) would govern the use of that term in all specialized venue statutes, both within and outside

Chapter 87 of Title 28. *Accord* House Report 20. The ALI Project noted that its proposal would not *displace* specialized venue statutes—a point that Section 1391(a)'s introductory phrase "except as otherwise provided by law" made clear. ALI Project 167-68. But the ALI Project explained that "the definitions of residence set forth in new § 1391(c)" were to "apply *globally* to *all* venue statutes, whether of general or special applicability, that use the residence of the parties as the criterion for . . . venue." *Id.* at 188-89 (emphasis added). This result "follows," the ALI Project explained, directly from the language used by the new statute, *i.e.*, from "the introductory phrase of new § 1391(c) that makes the definitions that follow applicable '[f]or all venue purposes.'" *Id.* at 189. Indeed, the purpose of the project would have been frustrated if the definitions did not apply to specialized venue statutes, as the circuit conflicts over how to apply the undefined term "residence" extended to specialized venue statutes.[6]

2. The ALI Reporters also addressed the implications of their proposal for patent venue under Section 1400(b). Their attention to this particular issue, including their endorsement of the Federal Circuit's *VE Holding* decision, confirms that the new Section 1391(c) was intended to mean what it says: "all venue purposes" means "all venue purposes"—not "all venue purposes *except* for patent venue," as Heartland would read it.

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[6] *See, e.g.*, *Penrod Drilling Co. v. Johnson*, 414 F.2d 1217, 1220 (5th Cir. 1969) (venue over unincorporated associations for purposes of Jones Act); John B. Oakley, *Prospectus for the American Law Institute's Federal Judicial Code Revision Project*, 31 U.C. Davis L. Rev. 855, 956 n.437 (1998) (citing *Penrod*).

The 1998 Prospectus to the ALI Project identified several "problems under subsection 1400(b)" that the project could address, including issues created by Section 1400(b)'s use of "residency requirements at odds with the general statute." John B. Oakley, *Prospectus for the American Law Institute's Federal Judicial Code Revision Project*, 31 U.C. Davis L. Rev. 855, 964-66 (1998) ("ALI Prospectus"); *see also* House Report 20 n.11 (referencing the ALI Prospectus). The Prospectus specifically noted and embraced *VE Holding*, observing that the Federal Circuit's decision "harmonized subsection 1400(b)'s corporate residency requirements with subsection 1391(c)'s requirements," though it noted that "individuals and unincorporated associations" were not yet subject to the same rule. ALI Prospectus 966.

Similarly, the ALI Project referred to *VE Holding* as a "palliative opinion" that mitigated the consequences of an outdated approach to patent venue. ALI Project 214-15. The ALI Project recognized, however, that *VE Holding* was only a "partial palliative," because it did not apply to "suits against unincorporated entities and natural persons." *Ibid.* This problem would be addressed through the revisions to Section 1391(c), which defined residence for natural persons and adopted a common definition for unincorporated associations and corporations. 28 U.S.C. § 1391(c)(1), (2).[7]

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[7] The ALI Project recommended taking the further step of repealing Section 1400 (concerning both copyright and patent venue) because the Reporters did not believe these specialized venue statutes continued to serve a useful purpose. *See* ALI Project 212. That proposal was not adopted, but the new, generally applicable Section 1391(c) definition was enacted. As a

C. Heartland's Reading Of Section 1391 Ignores Statutory Structure And Undermines The Purposes Of The Venue Clarification Act.

Heartland contends (at 19-20, 24-26) that Section 1391(c)'s definition of "residence" for "all venue purposes" does not apply to one particular venue purpose: patent venue. Indeed, from its question presented—whether the patent-venue statute "is not to be supplemented by [Section] 1391(c)," Pet. i—Heartland appears to be arguing that *no* part of Section 1391(c)'s definitions can apply in a patent case. That approach finds no basis in the statutory text, would undo a holding of this Court, and would undermine Congress's attempt to resolve several difficult venue questions comprehensively.

1. Heartland's insistence that Section 1400(b) "is not to be supplemented by 28 U.S.C. § 1391(c)," Pet. i, ignores this Court's holding in *Brunette*. For the entire history of the Republic, Congress has withheld the venue privilege from foreign defendants, because there is no particular federal judicial district where litigation against them belongs. This Court held in *Brunette* that the relevant statute applies *even in patent-infringement cases*. Yet the statute governing suits against foreign defendants is itself now part of Section 1391(c), where it also applies "[f]or all venue purposes." Heartland appears to concede (at 36 n.13) that at least some version of the foreign-defendant rule applies in patent-infringement cases—a wise concession, because if it did not, patent-infringement

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result, Section 1400(b) remains somewhat more restrictive than the general venue statute. *See* p. 34, *infra*.

suits against many foreign defendants would be *literally impossible*.[8] But as a matter of statutory construction, if the foreign-defendant rule in Section 1391(c)(3) applies, so does the rest of Section 1391(c), including the portion that Heartland resists.

a. In *Brunette*, this Court addressed whether the foreign-defendant statute, then codified at Section 1391(d), "govern[ed] the venue of an action for patent infringement against an alien defendant," a Canadian corporation. 406 U.S. at 707. At the time, Section 1391(d) provided that "'[a]n alien may be sued in any district.'" *Id.* at 708. The foreign defendant argued that venue was improper because Section 1400(b) "[wa]s the exclusive provision governing venue in patent infringement litigation, and . . . its requirements were not satisfied." *Id.* at 707. This Court disagreed. The Court acknowledged some "broad language" in prior decisions that had suggested "venue provisions of general applicability" do not apply in patent cases. *Id.* at 711. But this Court concluded that, in enacting Section 1391(d), Congress had established "a principle of broad and overriding application" that applied to both general and special venue laws. *Id.* at 714.

As discussed above, p. 20, *supra*, the Venue Clarification Act substantially revised Section 1391(d). The relevant provision no longer appears as a standalone subsection, but rather has been incorporated (as paragraph (3)) into subsection (c)'s definition of

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[8] If Section 1391(c)(3) did not apply to patent-infringement actions, a foreign corporation could not be sued for patent infringement anywhere in the United States, unless it maintained a "regular and established place of business" in some U.S. district *and* committed infringement there.

residence. 28 U.S.C. § 1391(c)(3). Like the other paragraphs in that subsection, it now applies "[f]or all venue purposes." And its focus is now on residence rather than on citizenship: it now provides a venue defense for lawful permanent residents and foreign corporations doing business in the United States, while eliminating a venue defense for U.S. citizens who are domiciled abroad. *See* House Report 22-23 (describing this change).

To implement this shift, Congress linked paragraph (3) of subsection (c) with paragraphs (1) and (2). Paragraph (1) defines residence as domicile for natural persons, including lawful permanent residents. 28 U.S.C. § 1391(c)(1). Paragraph (2) defines residence for both corporations and unincorporated associations according to whether they are subject to personal jurisdiction in a particular judicial district. *Id.* § 1391(c)(2). Finally, paragraph (3) provides that any defendant that is not a U.S. resident under paragraphs (1) and (2) can be sued in any judicial district. *Id.* § 1391(c)(3).

b. Determining the appropriate venue in patent-infringement actions against foreign defendants is straightforward under Section 1391(c)'s definition of residence. Patent owners may sue individuals who are permanent residents of the United States in the district in which they are domiciled, and foreign businesses in any district in which they are subject to personal jurisdiction. If neither condition applies, the patent owner may sue in any judicial district.[9]

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[9] A foreign defendant could still contest personal jurisdiction, but that defense would fail if the defendant has minimum contacts with the United States as a whole, even if it does not have

By contrast, Heartland's statutory interpretation produces a muddle in cases with foreign defendants. If Section 1391(c)'s definition of residence does not apply, then there would be *no* proper venue in some cases under Section 1400(b). If "residence" in Section 1400(b) were limited to the defendant's place of incorporation, then a foreign corporation could not be sued *anywhere* in the United States, unless it had a "regular and established place of business" in some district *and* committed infringement there. 28 U.S.C. § 1400(b). This Court rejected that counter-intuitive result in *Brunette*. 406 U.S. at 709-10, 713-14. But accepting Heartland's contention that Section 1391(c)'s definitions of "residence" do not apply to Section 1400(b) would produce exactly the result *Brunette* rejected, "effect[ively] oust[ing] the federal courts of a jurisdiction clearly conferred on them by Congress." *Id.* at 710.

To avoid this result, Heartland might argue that paragraph (3) of Section 1391(c) applies to patent venue, but that paragraph (2) does not. But that is not how Heartland has framed this case: its question presented asks whether Section 1400(b) "is not to be supplemented by 28 U.S.C. § *1391(c)*." Pet. i (emphasis added). In any event, there is no way to slice and dice Section 1391(c) that way. Congress applied the prefix "For all venue purposes" to *all three* paragraphs of Section 1391(c)'s definition of residence. The text does not permit reading one prong to apply for "all venue purposes," including patent venue, but another to apply only for *most* venue purposes.

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minimum contacts with (and thus does not "reside" in) any single judicial district or State. *See* Fed. R. Civ. P. 4(k)(2) & advisory committee's note (1993).

In addition to sharing a common prefix, paragraph (3) is linked to the other two prongs in substance. A defendant is "not resident in the United States" for purposes of paragraph (3) if it resides elsewhere under paragraphs (1) and (2), *see* p. 25, *supra*. Paragraph (3) cannot work in patent-infringement cases unless paragraphs (1) and (2) apply as well to define residence.

Apparently recognizing that it needs *some* foreign-defendant rule but cannot look to Section 1391(c), Heartland attempts to revive former Section 1391*(d)*. Heartland asserts, without explanation, that "Section 1400(b) . . . has no application to alien defendants," and cites *Brunette*. Heartland Br. 36 n.13. But *Brunette* did not construe Section 1400(b) to embody that principle. Rather, this Court relied on a statute, Section 1391(d), that has now been substantively amended and moved to Section 1391(c)—which Heartland insists does not apply. This Court is "not free to rewrite the statute that Congress has enacted" by reviving former Section 1391(d) for one limited purpose. *Dodd v. United States*, 545 U.S. 353, 359 (2005). And reviving the old rule would be particularly inappropriate here, because it would contradict Congress's express judgment in 2011 that foreign residence, not "alien[age]," should be what counts for venue purposes. *See* House Report 22-23.

2. Even if Heartland could somehow come up with a way for patent-infringement cases to borrow all of Section 1391(c) *except* for the business-entity definition in paragraph (2), that interpretation would still be full of problems. *Fourco*, and the cases preceding it, addressed only where *corporations* resided at common law. *Unincorporated associations*, such

as LLCs and partnerships, were governed by a different rule: this Court held in 1967 that a "multi-state, unincorporated association" resides and may be sued "where it is doing business." *Denver & Rio Grande*, 387 U.S. at 562. Thus, under Heartland's own theory, *Fourco* would not apply in the many cases in which infringement defendants are LLCs—apparently including this one. *See* note 4, *supra*.

a. In *Fourco*, this Court held that its earlier constructions of the patent-venue statute were not affected by the 1948 recodification of Title 28. 353 U.S. at 227-28. Under those constructions, *corporations* were "residents" or "inhabitants"—the Court noted the terms "are synonymous"—only in their state of incorporation. *Id.* at 226 (quotation marks omitted).[10]

Unincorporated associations have never been subject to this rule. Indeed, this Court explained in *Denver & Rio Grande* that, up until that decision in 1967, "[t]here was no settled construction" of the residence of unincorporated associations for venue purposes. 387 U.S. at 562.

As a result, the Court held that a "multi-state, unincorporated association" (there, a labor union) re-

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[10] Some corporations—notably, national banks—are chartered by the federal government rather than by any State. That was not an issue at the time of *Fourco* because until 1982, national banks had their own, more specific venue statute. *See* 12 U.S.C. § 94 (1976); *Radzanower v. Touche Ross & Co.*, 426 U.S. 148, 152 (1976). Section 1391(c)(2) makes it unnecessary to assign national banks to a single State or district because all business entities reside where they are subject to personal jurisdiction. Heartland's proposed rule leaves unclear where national banks and federally chartered corporations would "reside."

sides and may be sued "where it is doing business." *Denver & Rio Grande*, 387 U.S. at 562. That interpretation aligned the rule for unincorporated associations with the rule for *corporate* residence under the 1948 version of Section 1391(c). *Id.* at 559, 562. As noted, p. 20, *supra*, when Congress later expanded the scope of corporate residence in 1988 (adopting the personal-jurisdiction approach), courts divided over whether the residence of unincorporated associations should also expand, or whether the *Denver & Rio Grande* "doing business" definition still controlled. ALI Project 189-91. Congress resolved this question in 2011 by adopting Section 1391(c)(2).

b. Heartland's approach fails to address that many defendants are unincorporated entities. Presumably Heartland believes that Section 1391(c)(2) does not apply in patent-infringement cases *at all*, whether the defendant is an LLC or a corporation. But if Section 1391(c)(2) were inapplicable, then under *Denver & Rio Grande*, unincorporated defendants—like Heartland—would reside wherever they are "doing business."

The result would be a substantial and pointless distinction: (1) corporate defendants would reside only in their state of incorporation, while (2) LLCs, partnerships, and other unincorporated associations would reside wherever they are "doing business." Venue "is primarily a matter of choosing a convenient forum," *Wachovia Bank v. Schmidt*, 546 U.S. 303, 316 (2006) (quotation marks omitted), and there is no difference in litigation convenience that turns on whether a defendant business is organized as a corporation or an LLC. Moreover, neither of these differing definitions appears in the definitional stat-

ute. Congress made clear in the Venue Clarification Act that corporations and unincorporated associations should have the same residence for all venue purposes. Heartland's approach conflicts with Congress's judgment.[11]

Alternatively, Heartland might argue that unincorporated associations, too, reside in a single district for purposes of patent venue. But this approach suffers from two fatal flaws. *First*, it is unworkable; many multi-state business entities (*e.g.*, partnerships) have no state of incorporation and no analogue. *See* ALI Project 199 (noting that it is "no[t] feasible" to define residence for an unincorporated association by the state of incorporation). *Second*, it has no legal foundation. As this Court made clear in *Denver & Rio Grande*, there was "no settled construction" for where unincorporated associations reside at the time of *Fourco*, 387 U.S. at 561, and *Fourco* did not address the question. Heartland cannot point to the 1957 opinion in *Fourco* to justify overriding both a 2011 statute *and* a 1967 holding of this Court.

Fortunately, this Court does not need to tackle the questions of residency for partnerships and LLCs that Heartland's proposal would raise. Determining where different types of business entities should be deemed to reside is a "question[] more readily resolved by legislative prescription than by legal reasoning." *Carden v. Arkoma Assocs., L.P.*, 494 U.S.

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[11] While corporations and unincorporated associations are treated differently when assessing diversity of citizenship, that is because Congress has defined one rule by statute and retained the common-law definition for the other. *See Carden v. Arkoma Assocs., L.P.*, 494 U.S. 185, 196-97 (1990).

185, 197 (1990). And Congress has already provided the prescription in the Venue Clarification Act, for *all* business entities and *all* venue purposes.

D. No Canon Of Construction Or Structural Inference Supports Disregarding The Statutory Definition Of "Residence."

Heartland argues that the decision below "violates multiple canons of statutory construction" and "undermines the statutory structure." Heartland Br. 26, 31 (initial capitalization omitted). But Heartland ignores the "cardinal" canon that courts "should always turn to first before all others": "presume that a legislature says in a statute what it means and means in a statute what it says there." *Connecticut Nat'l Bank v. Germain*, 503 U.S. 249, 253-54 (1992). No canon that Heartland invokes provides a basis to conclude that "for all venue purposes" means "for all venue purposes except for patent venue."

1. Heartland contends (at 39-40) that Congress exempted Section 1400(b) from the general definition of residence for all venue purposes, and it relies on Section 1391(a) as the only textual basis for that argument. But Heartland misreads that provision. Section 1391(a) states that "[e]xcept as otherwise provided by law, this section shall govern the venue of all civil actions." 28 U.S.C. § 1391(a). Heartland focuses on the dependent clause ("Except . . .") but ignores the independent clause. Section 1391 "shall govern venue"—*i.e.*, specify the place where suit may be brought, *see id.* § 1391(b)—"[e]xcept as otherwise provided by law." In other words, Section 1391's default rules for venue will yield if they conflict with specific rules for venue set out by specialized venue

statutes. Thus, as no one disputes, venue in patent-infringement cases is governed by Section 1400(b), rather than by the general venue statute, Section 1391(b).[12]

But the "[e]xcept" language in Section 1391(a) has nothing to do with the definitions in Section 1391(c). Those definitions do not "govern . . . venue"; they merely define the term "resides" in statutes that *do* govern venue, such as Sections 1391(b) and 1400(b). And they supply those definitions "[f]or all venue purposes."

If Section 1391(a) precluded the definitions in Section 1391(c) from applying to special venue statutes, on the theory that those statutes "provide[]" a different definition of "resides" "by law," Section 1391(c) would have little purpose. The only statute it could apply to would be the general venue provision, Section 1391(b). But that cannot be correct. *First*, "For all venue purposes" plainly signals that subsection (c) has an effect beyond just the immediately preceding subsection. Indeed, Congress substituted "For all venue purposes" for the predecessor language "For purposes of venue under this chapter" precisely to cover more special venue statutes. House Report 20. *Second*, Section 1391(c) contains *two* definitions of where a business entity "resides"—one for use when the venue statute turns on the residence of the *defendant*, and one when it turns on the residence of the *plaintiff*. But the general venue statute does not use the *plaintiff's* residence at all. *See* 28 U.S.C.

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[12] For exactly that reason, "except as otherwise provided by law" appeared in the predecessor general venue statutes as well. *See* 28 U.S.C. § 1391(a)-(b) (1988); 28 U.S.C. § 1391(a)-(b) (1952).

§ 1391(b). *Third*, the legislative history confirms that Section 1391(c) applies "*[u]niversally*." House Report 20. Plainly, therefore, the definitions in Section 1391(c) are meant to apply to more specific venue statutes; those statutes do not "provide[]" "otherwise."[13]

Heartland's related contention (at 26-28) that a "specific statute" should "not be controlled or nullified by a general one" fails for the same reason. Heartland relies on *Radzanower v. Touche Ross & Co.*, 426 U.S. 148 (1976), which supports the uncontroversial principle that on-point special venue statutes control over a more general venue statute, such as Section 1391(b). But once again, Section 1400(b) does not define the term "resides"; that definition is provided by Section 1391(c). Applying Section 1391(c)'s definition to a term in Section 1400(b) that Congress had not previously defined does not "nullify" Section 1400(b). If it did, then Section 1391(c) would not apply to *any* specialized venue statutes, which is contrary to what Congress intended.

2. Heartland also asserts (at 23, 31-32) that applying Section 1391(c)'s definition to Section 1400(b) would make Section 1400(b) "a dead letter." Heartland seems to mean that using Section 1391(c)'s def-

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[13] In addition, even if Section 1391(a) were relevant, Heartland still points to nothing that "provide[s] otherwise by law." In *Fourco*, this Court construed a statutory term ("resides") to have its common-law meaning. But merely interpreting what a statute says does not "provide by law" for any different meaning once Congress redefines the term. Because statutory interpretation (what this Court did in *Fourco*) is not the same thing as the formulation of federal common law, the debate between Heartland and the court of appeals over federal common law (Heartland Br. 40) is beside the point.

inition of "residence" would leave the second part of Section 1400(b) unused in most cases. *See also* BSA Br. 18-19; General Electric Br. ("GE Br.") 10-11; Software & Information Industry Ass'n Br. ("Software Br.") 15-16.

But as Heartland implicitly concedes, the second half of Section 1400(b) is not superfluous under the Court of Appeals' interpretation. At a minimum, that clause provides a basis for venue in suits against individual defendants, who are domiciled in only one district. *See VE Holding*, 917 F.2d at 1580 n.17. That is enough to avoid surplusage, because the canon merely counsels that "a statute should be construed so that effect is given to all its provisions," even if that effect is "limited." *Clark v. Rameker*, 134 S. Ct. 2242, 2248-49 (2014) (quotation marks omitted). It does not justify disregarding the statute's plain text to give one phrase more to do. *See Kawashima v. Holder*, 565 U.S. 478, 488 (2012) (rejecting a surplusage argument where two offenses did not formally overlap, even though the government conceded they "almost invariably" would overlap in practice).

In any event, the Court's "preference for avoiding surplusage constructions is not absolute," and it is an "inappropriate" basis for departing from the statute's "plain meaning." *Lamie*, 540 U.S. at 536. "Redundancies across statutes are not unusual events in drafting." *Connecticut Nat'l Bank*, 503 U.S. at 253. And they are unremarkable here, where the drafters of the Venue Clarification Act consciously decided to adopt a generally applicable definition of residence rather than parse through (and harmonize) hundreds of special venue statutes. *See* ALI Project 168-

69. Many venue statutes mirror Section 1400(b)'s structure by designating venue as where the defendant "resides or has a principal place of business"[14] or "resides or transacts business."[15] Section 1391(c)'s definition of "residence" subsumes the "doing business" prongs of all of these statutes, but Heartland cannot plausibly argue that Section 1391(c) does not apply to any of them.

More generally, "redundancy is hardly unusual" for venue statutes. *Marx v. Gen. Revenue Corp.*, 133 S. Ct. 1166, 1177 (2013). For example, the copyright-venue statute provides that suit may be "instituted in the district in which the defendant or his agent resides or may be found." 28 U.S.C. § 1400(a). Because a defendant "may be found" wherever it is subject to personal jurisdiction,[16] the "residence" prong of Section 1400(a) is redundant regardless of how residence is defined. Other venue statutes use a similar belt-and-suspenders approach.[17]

3. Heartland also argues (at 32-36) that Section 1391(c)'s definition of residence should not apply to Section 1400(b) in order to avoid creating an inconsistency with 28 U.S.C. § 1694. That statute provides that "[i]n a patent infringement action commenced in a district where the defendant is not a res-

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[14] 7 U.S.C. §§ 210, 499g.

[15] 15 U.S.C. §§ 53, 68c, 69g, 70f; 29 U.S.C. § 160(e), (j); 42 U.S.C. § 9613.

[16] *See* ALI Project 212 & n.93 (citing cases).

[17] *See, e.g.*, 15 U.S.C. § 78aa (securities action may be brought, *inter alia*, in the "district wherein the defendant is found or is an inhabitant or transacts business"); 18 U.S.C. § 1965(a) (civil RICO claim may be brought in any district in which the defendant "resides, is found, has an agent, or transacts his affairs").

ident but has a regular and established place of business," service of process may be effected on the defendant's agent. 28 U.S.C. § 1694. Heartland observes that Section 1694's structure presupposes the narrow definition of "residence" applied in *Fourco*, and it argues that "residence" should retain the same meaning in the venue statute because the two provisions were originally linked.

But the difference in meaning under current law is simply the result of legislation that overhauled venue rules without touching service-of-process statutes. In drafting the proposal that led to the Venue Clarification Act, the ALI Reporters decided to modify the definitions of residence applicable to all venue statutes while "exclud[ing] . . . issues of service of process" from the ALI Project's scope. ALI Prospectus 855. They did so in part because Federal Rule of Civil Procedure 4(k) provides an effective means for service of process that applies across different causes of action and bases for venue. *Ibid.*; *see also* 14D Charles Alan Wright et al., *Federal Practice & Procedure* § 3823, at 3 (4th ed. 2016) (noting that Section 1694 "is permissive . . . and does not preclude other means of service"). It is thus unsurprising that, after Congress revised venue law without addressing corresponding service-of-process rules, the definitions of residence in Section 1400(b) and Section 1694 no longer align, or that patent owners rely on Rule 4(k) to serve process in patent-infringement actions.[18]

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[18] Heartland also relies on an uncodified provision of patent law providing that in cases involving a particular kind of financial patent, an ATM "shall not be deemed to be a regular and established place of business for purposes of section 1400(b)." Leahy-Smith America Invents Act of 2011, § 18(c), 35 U.S.C. § 321

4. Finally, Heartland notes in passing that Section 1400(b) uses the definite article "the" in the clause "the judicial district where the defendant resides," which supposedly "suggest[s] inhabitancy is in a singular place." Heartland Br. 4, 23; *see also* BSA Br. 18; GE Br. 10. But "words importing the singular include and apply to several persons, parties, or things." 1 U.S.C. § 1; *accord* 28 U.S.C. § 1391 Revisers' Note (1952). Heartland cannot rely on "the" to keep the statutory definition of "residence" at bay.

First, Heartland ignores the context. Section 1400(b) uses the definite article "the" before *both* of its venue options. And it is undisputed that the second option—any judicial district "where the defendant has committed acts of infringement and has a regular and established place of business," 28 U.S.C. § 1400(b)—may encompass more than one district. Furthermore, even under Heartland's interpretation of "residence," a corporation that is incorporated in a state with multiple judicial districts may "reside" in more than one district.[19]

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note. That statute was enacted before the 2011 Act, and so sheds no light on what the later statute means; it also does not change the provision making patent venue proper in the district of "residence." Because of the history of venue complexity involving national banks as defendants, *see* note 10, *supra*, Congress may simply have decided to take extra care with this limited set of financial patents.

[19] At the time of *Fourco*, a corporation formed in a multiple-district state was deemed to reside in the district *in that state* where its principal place of business was located. *See Galveston, Harrisburg & San Antonio Ry. Co. v. Gonzales*, 151 U.S. 496, 504 (1893). But that rule does not help when the principal place of business is *outside* the state of incorporation.

Second, even if Congress contemplated a singular "residence" when it enacted Section 1400(b), that does not prevent a change in meaning when Congress adopted a definition of "residence" "[f]or all venue purposes." 28 U.S.C. § 1391(c). Indeed, the drafters of Section 1391(c) specifically intended for its definitions to apply to a civil-action provision of the Jones Act. *See* ALI Project 157 & n.5, 189. And at the time, the Jones Act referred to "*the* district" where "the defendant employer resides or in which his principal office is located." 46 U.S.C. app. § 688 (2000) (emphasis added).

Congress adopted an explicit and universal definition of residence. It was not required to take the further step of changing "the" to "a" throughout the U.S. Code.

II. *Fourco*'s Interpretation Of An Earlier Statute Cannot Justify Disregarding The Plain Language Of The Current Statute.

Heartland's primary argument for departing from Section 1391(c)'s unambiguous definitions is that this Court construed the previous venue statutes differently in *Fourco*. But this Court's holding does not prevent Congress from amending the venue statutes to change the meaning of a previously undefined term—whether or not this Court has previously construed that term. And when Congress *changes* the law, there is no presumption that it intends to preserve interpretations of the previous law.

A. *Fourco* Does Not Control The Interpretation Of A Statute That Congress Subsequently Amended.

This Court's decision in *Fourco*, which addressed the relationship between Section 1400(b) and an earlier version of Section 1391(c), does not control here. *Fourco* relied on legislative history stipulating that Congress did not intend to make substantive changes when recodifying Title 28 in 1948. The decision provides no basis for this Court to ignore subsequent amendments to venue laws that undeniably *are substantive*, and which give the relevant statutory term a different meaning than the *Fourco* Court adopted.

1. Before the recodification, this Court had held that the patent-venue statute in force under the 1911 Judicial Code was "the exclusive provision controlling venue in patent infringement proceedings," and was not supplemented by a generally applicable venue provision for suits against multiple defendants. *Stonite Prods. Co. v. Melvin Lloyd Co.*, 315 U.S. 561, 563 (1942). Then in *Fourco*, the Court addressed whether the 1948 revision and recodification of Title 28 had abrogated *Stonite*'s holding. 353 U.S. at 224-25.

Relying heavily on the 1948 legislative history, the Court held that the recodification had not made general venue rules applicable to the patent-venue statute. In particular, the Court noted that the Judiciary Committee Reports from both the House and Senate, as well as statements by those responsible for recodification, were "uniformly clear that no changes of law or policy [were] to be presumed from changes of language in the revision" absent a clear

statement "explained in detail in the Revisers' Notes." *Fourco*, 353 U.S. at 226-27. Because "the Revisers' Notes d[id] not express any substantive change" concerning patent venue, the Court concluded that the 1948 recodification did not alter the patent-venue statute in any way. *Id.* at 227-28.

As this Court later acknowledged, *Fourco* did not apply "the more natural reading" of Section 1391(c). *Pure Oil Co. v. Suarez*, 384 U.S. 202, 206 (1966). Rather, the result was driven by the legislative history of the 1948 recodification of Title 28, which showed that "Congress wished [section 1400(b)] to remain in substance precisely as it had been before the revision." *Ibid.*; *see also Brunette*, 406 U.S. at 712 (noting that *Fourco* "rested heavily on . . . legislative history"). The Court has discounted wording changes made by the 1948 recodification in several other contexts. *E.g.*, *John R. Sand & Gravel Co. v. United States*, 552 U.S. 130, 136 (2008); *Keene Corp. v. United States*, 508 U.S. 200, 209 (1993); *Tidewater Oil Co. v. United States*, 409 U.S. 151, 161-63 (1972).

The precedential force of *Fourco* is accordingly "limited to the particular question of statutory construction presented there." *Pure Oil*, 384 U.S. at 206. *Fourco* does not establish that Section 1400(b) is uniquely and permanently insulated from amendments to venue law, or suggest that Congress cannot define terms appearing in Section 1400(b) without amending Section 1400(b) itself.[20] The Court merely

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[20] And no such restriction exists. For instance, the Pregnancy Discrimination Act overturned a decision of this Court construing one provision of Title VII, by adding a definition to a *different* provision of Title VII. *See, e.g.*, *Shaw v. Delta Air Lines, Inc.*, 463 U.S. 85, 88-89 (1983).

held that the 1948 recodification did not have any substantive effect on patent venue, because that recodification made changes without substantive effect.

2. The venue statutes have been materially revised since *Fourco* was decided in 1957. Collectively, the changes to the law unambiguously establish that "resides" in Section 1400(b) is defined by Section 1391(c).

First, Section 1391(c) is now framed as a purely definitional provision that determines the meaning of "residence" for all litigants—plaintiff and defendant, natural person, corporation, and unincorporated association. 28 U.S.C. § 1391(c). By contrast, in 1957, the statute provided the general rule for where "[a] corporation may be sued," and then stipulated that the district "shall be regarded" as the corporation's residence "for venue purposes." *Fourco*, 353 U.S. at 223. *Second*, after Section 1391(c) was amended in 1988 to provide the definition of corporate residence "[f]or purposes of [Chapter 87]," p. 5, *supra*, Congress consciously expanded Section 1391(c)'s scope by defining residence "[f]or *all* venue purposes," 28 U.S.C. § 1391(c) (emphasis added). *Third*, Congress specifically defined "venue" by enacting Section 1390. 28 U.S.C. § 1390(a). That provision forecloses any argument that Section 1400(b) is not a "venue" statute within the meaning of Section 1391(c).[21]

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[21] Several of Heartland's amici argue that the current language in Section 1391(c) is "materially identical" to the text at the time of *Fourco* ("for venue purposes"). Software Br. 5; *see also, e.g.*, GE Br. 13-14; Intel Br. 13. That, of course, disregards the important word "all." And neither Heartland nor any of its amici addresses the import of Section 1390(a), or the structural

In contrast to *Fourco*, nothing about the legislative context surrounding these changes suggests they should be disregarded as non-substantive. The Venue Clarification Act was not a recodification project. It sought to *clarify* and *simplify* existing venue law. *See* House Report 1-2; ALI Project 1-2. And several key clarifications were accomplished by revising Section 1391(c) and making it "apply globally to all venue statutes, whether of general or special applicability." ALI Project 188-89; *see* House Report 20.

3. Heartland nonetheless contends that the rule from *Fourco* remains controlling absent a clear statement from Congress expressly overriding it. *See* Heartland Br. 28-29; *see also, e.g.*, GE Br. 12-13; Intel Br. 12-13; Software Br. 14-17.[22] Even if such a clear-statement rule did apply, the Venue Clarification Act would satisfy it. How much clearer could Congress have been than stipulating that Section 1391's definition of "residence" applies "[f]or all venue purposes" and defining "venue" in a way that clearly includes Section 1400(b)? *Cf. RJR Nabisco, Inc. v. European Cmty.*, 136 S. Ct. 2090, 2102 (2016) (holding that defining racketeering activity to include offenses involving foreign conduct qualified as

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changes to Section 1391(c) that have transformed it into an all-purpose definitional section, rather than merely the rule for corporate venue. In fact, not one of the petitioner's-side briefs even *cites* Section 1390, except for one reference that is clearly a typo, App Ass'n Br. 15. In any event, *Fourco* did not decide the effect that "for venue purposes" would have had *outside the recodification context*. *See* pp. 40-41, *supra*.

[22] Although several of Heartland's amici invoke *stare decisis*, Heartland properly concedes that *stare decisis* is not implicated because the relevant statutory language has changed since *Fourco*. *See* Heartland Br. 28.

a "clear indication" that RICO applied extraterritorially even absent an "express statement").

But in fact, there is no clear-statement rule that Congress must overcome to depart from this Court's interpretation of a superseded statute. When Congress enacts new legislation that amends existing law, this Court has simply applied the plain text of the new law, *regardless of whether doing so abrogates its precedent*. *See, e.g.*, *Exxon Mobil Corp. v. Allapattah Servs., Inc.*, 545 U.S. 546, 558 (2005) ("No sound canon of interpretation requires Congress to speak with extraordinary clarity in order to modify the rules of federal jurisdiction within appropriate constitutional bounds."); *Desert Palace*, 539 U.S. at 98 (treating the question whether the Civil Rights Act of 1991 abrogated Title VII precedent as irrelevant, because "the starting point for [the Court's] analysis is the statutory text"); *Ex parte Collett*, 337 U.S. 55, 60-61 (1949) (holding that the plain language of 28 U.S.C. § 1404(a) authorized transfers for convenience in suits under the Federal Employers' Liability Act ("FELA"), even though the Court had previously held that FELA's venue provision precluded such transfers under the doctrine of *forum non conveniens*).

For example, in *Allapattah*, the Court addressed how its precedents had been affected by the new supplemental-jurisdiction statute, 28 U.S.C. § 1367. The Court held that, "by its plain text," the new Section 1367 "overruled" three of the Court's precedents applying jurisdictional statutes. 545 U.S. at 558, 566-67. The Court so held even though the legislative history of Section 1367 indicated that Congress had specifically set out to overrule only one of the

three precedents (*Finley v. United States*, 490 U.S. 545 (1989)), and the House Judiciary Committee Report suggested that some Members of Congress intended to preserve pre-*Finley* precedent. *Id.* at 567-68. As the Court explained, "no sound canon of interpretation" could justify "adopt[ing] an artificial construction" of the statute "that is narrower than what the text provides." *Id.* at 558. The Court should apply the same approach here. Indeed, the argument for ignoring the statutory text in order to follow pre-amendment precedent is even weaker here than it was in *Allapattah*, because the statutory history confirms the plain-text reading. *See* pp. 18-22, *supra*.

The authorities invoked by Heartland (at 28-29) do not support a contrary result. Heartland cites *Midlantic National Bank v. New Jersey Dep't of Environmental Protection*, 474 U.S. 494 (1986), but in that case, Congress had "codif[ied] [a] judicially developed rule," *id.* at 501. In the codification context, the Court naturally presumes that Congress intended to adopt the "judicially created concept" in full absent a clear indication to the contrary. *Ibid.* That presumption is not relevant to the Venue Clarification Act, which sought to simplify and clarify venue statutes, not to codify preexisting judicial doctrine.

Heartland likewise takes a passage from *Reading Law* out of context. Heartland Br. 28-29; *see also* Intel Br. 19-20. The excerpted paragraph comes from the treatise's discussion of the presumption against implied repeal. It explains that Congress should not be presumed to displace the authoritative construction of a term in an earlier statute just because it uses the same term in a new context that is incon-

sistent with the established meaning. Scalia & Garner 330-31. But this is not an implied-repeal case. Section 1391(c) did not impliedly repeal Section 1400(b). *Accord Collett*, 337 U.S. at 60-61 (decision by Congress "to remove" a venue provision's "judicial gloss via another statute" is not equivalent to an implied repeal). Nor did Section 1391(c) merely use the term "residence" in a manner that is in tension with this Court's construction of "reside" in *Fourco*. Rather, Congress expressly *defined* "residence" for all venue purposes, which the text makes clear encompasses Section 1400(b). As the treatise explains elsewhere, Congress's definition is controlling. *See* Scalia & Garner 228.

4. Heartland refers in passing (at 30) to two decisions after *VE Holding* that supposedly reaffirmed *Fourco*. But both are clearly off-point. One case, *Cortez Byrd Chips, Inc. v. Bill Harbert Construction*, 529 U.S. 193 (2000), predates the Venue Clarification Act, and it simply recites *Fourco*'s holding while finding it "beside the point" for the arbitration issue presented, *id.* at 204. In *Atlantic Marine Construction Co. v. United States District Court*, 134 S. Ct. 568 (2014), the Court merely observed in a footnote that Section 1391 governs "venue generally," which it distinguished from "specific venue provision[s]" such as Section 1400. *Id.* at 577 n.2. That unremarkable observation is fully consistent with the decision below because, once again, the question is not whether Section 1400(b) governs venue in patent-infringement cases (it does), but rather how "resides" in Section 1400(b) is defined. *See* Pet. App. 7a. And nothing in *Atlantic Marine*'s footnote suggests that Section 1391(c)'s definitions of "residence" do not apply to specific venue provisions.

B. Heartland's Focus On The Federal Circuit's Interpretation Of An Earlier Version of Section 1391(c) Is Misplaced.

Heartland and its amici have briefed this case as though the relevant question were whether, in 1990, the Federal Circuit correctly interpreted the 1988 amendment to Section 1391, which have since been superseded. But as previously noted, p. 15, *supra*, the Court's task is to interpret "existing statutory text, and not the predecessor statutes." *Lamie*, 540 U.S. at 534. In other words, it does not matter whether *VE Holding* was correctly decided in 1990. What does matter is that, following the Venue Clarification Act, Section 1391(c) unambiguously provides the meaning of "resides" in Section 1400(b).

1. Because Heartland focuses so heavily on *VE Holding* and the 1988 amendments, it puts forward arguments that read as though the Venue Clarification Act never happened. For example, Heartland contends that *VE Holding* violated "the principle that Congress does not . . . hide elephants in mouseholes," because the Federal Circuit re-interpreted patent venue based on changes to Section 1391(c) that were included in the "Miscellaneous Provisions" section of the 1988 Act. Heartland Br. 31 (quotation marks omitted). In fact, the available evidence indicates that the 1988 Act's drafters specifically revised Section 1391(c) during the drafting process to apply to all venue statutes in Chapter 87 and *not* just to the general venue statutes. *See* Alan B. Rich et al., *The Judicial Improvements and Access to Justice Act: New Patent Venue, Mandatory Arbitration and More*, 5 High Tech. L.J. 311, 317-20 (1990) (quoting Judi-

cial Conference subcommittee memoranda detailing the refinement of the legislative proposal).

In any event, whatever might be said of the 1988 Act, the Venue Clarification Act is no mousehole. To the contrary, the Act has been described by an academic proponent as "the most far-reaching package of revisions to the Judicial Code" for two decades.[23] Nor were the Venue Clarification Act's implications for patent venue hidden. As discussed, pp. 21-22, *supra*, the ALI Reporters who drafted the Act *endorsed VE Holding*, and they also made clear that the new version of Section 1391(c) would apply "globally" to all venue statutes. Congress adopted this new version of Section 1391(c) without restricting its scope in any way. In doing so, Congress effectively ratified—and indeed extended—the Federal Circuit's rule from *VE Holding*. *See Lindahl v. OPM*, 470 U.S. 768, 782-83 (1985) (holding that Congress had intended to incorporate a lower-court doctrine where it had shown awareness of the doctrine and amended the statute to be consistent with its application).

2. When Heartland at last turns to the current statute (at 39-42), it all but ignores Section 1391(c). Instead, Heartland focuses on Section 1391(a) and its "Except as otherwise provided by law" clause, which Heartland reads as a reference to this Court's construction of Section 1400(b) in *Fourco*. Heartland's amici also interpret this provision—along with the substitution of "[f]or all venue purposes" for "[f]or purposes of venue under this chapter"—as a repudia-

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[23] Arthur Hellman, *The Federal Courts Jurisdiction and Venue Clarification Act is Now Law*, Jurist, Dec. 30, 2011, http://www.jurist.org/forum/2011/12/arthur-hellman-jvca.php.

tion of *VE Holding*. *See, e.g.*, BSA Br. 16; GE Br. 13-14; Intel Br. 12; Software Br. 11-14. But the notion that the Venue Clarification Act sought to return *Fourco* from exile is fanciful. The text will not bear that interpretation. *See* pp. 31-33 & note 21, *supra*. And not a word in the legislative history suggests such a purpose. To the contrary, the ALI Project, the House Report, and—most importantly—the statutory text all demonstrate that Congress intended to *refine* Section 1391(c) and *expand* its sweep, supplying definitions of "residence" for all venue purposes. *See* pp. 17-22, *supra*.

III. Heartland's Policy Arguments Do Not Justify Departing From The Plain Text Of The Statute.

Heartland and its amici maintain that applying Section 1391(c)'s definition of "residence" to patent venue has encouraged forum shopping and concentrated patent litigation in just a handful of judicial districts. Of course, policy arguments cannot justify ignoring the statute's plain text. *See Laborers Health & Welfare Trust Fund v. Advanced Lightweight Concrete Co.*, 484 U.S. 539, 551 (1988). And in any event, resurrecting the *Fourco*-era definition of "residence" would not solve the problems that Heartland and its amici identify. Limiting a business's residence to its place of incorporation would not materially decrease the concentration of patent litigation in just a handful of judicial districts. Moreover, applying such a restrictive definition would create new problems, including requiring patent owners to file duplicative lawsuits in different districts if the infringers are incorporated in different States. By contrast, although there are legiti-

mate concerns about the status quo, district courts have a number of options to remedy inappropriate forum selection in individual cases, without judicially rewriting the venue statutes or limiting plaintiffs to a single one-size-fits-all venue.

More generally, Congress is better positioned to address the policy concerns that Heartland and its amici raise. This Court is presented with a binary choice: use Section 1391(c)'s definition of residence, or apply Heartland's place-of-incorporation rule. Congress, however, can adopt more tailored reforms that could eliminate the excesses of the current regime without creating new problems. It should be allowed to do so.

A. Limiting Residence To A Corporation's Place Of Incorporation Is Unduly Restrictive And Would Make Patent Litigation More Burdensome, Not Less.

1. Heartland's approach to corporate "residence" is out-of-sync with modern venue principles. *See generally* Paul R. Gugliuzza & Megan M. La Belle, *The Patently Unexceptional Venue Statute*, 66 Am. U. L. Rev. (forthcoming 2017) (manuscript at 6-11), https://ssrn.com/abstract=2914091. Over the past century, Congress has repeatedly expanded the statutory definition of corporate "residence" to "bring venue law in tune with modern concepts of corporate operations." *Pure Oil*, 384 U.S. at 204; *see* pp. 4-8, *supra* (describing the evolution of venue law). There is no reason to believe that Congress intended to insulate patent-infringement cases from this moderniz-

ing trend.[24] Indeed, applying the incorporation-based definition of residence to patent-infringement litigation today would impose undue and impractical restrictions on where patent owners can sue—potentially forcing actions into districts that have no meaningful connection to the litigation, while excluding the district in which a company has its main place of business.

Consider, for example, a case involving an infringer that is incorporated in Delaware, has its principal place of business in the Northern District of California, and manufactures an infringing product at a place of business in the Southern District of Indiana. Under Heartland's rule, the patent owner could file suit in the District of Delaware and the Southern District of Indiana, but *not* in the Northern District of California where the defendant is headquartered, because no "acts of infringement" were committed in that district, 28 U.S.C. § 1400(b). Venue would be further restricted, to the state of incorporation alone, if the defendant does not have a "regular and established place of business" where the infringement takes place, *ibid.*, as might frequently occur when the defendant imports an infringing article, or induces infringement by others under 35 U.S.C. § 271(b).

That extraordinary restriction on the choice of forum makes little sense. The purpose of venue is to

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[24] Contrary to the suggestion of Heartland and some amici that Section 1400(b) should be interpreted narrowly because Congress had a "restrictive intent" in 1897 when it enacted the special patent venue statute (*e.g.*, Heartland Br. 21; Software Br. 5), the 1897 statute actually *expanded* venue options for patent claimants as compared to what was available under the general venue statute in federal question cases. *See Brunette*, 406 U.S. at 712-13 & n.13; p. 3, *supra*.

"protect *the defendant* against the risk that a plaintiff will select an unfair or inconvenient place of trial." *Leroy*, 443 U.S. 183 (citations omitted). What possible interest is served by a rule that forbids suing a defendant in its own principal place of business? Notably, while Heartland and its amici attempt to justify their rule as a way of limiting forum-shopping by non-practicing entities ("NPEs") (*e.g.*, Texas Br. 13-14; Electronic Frontier Found. Br. 11-12; Software Br. 21-24), that rule would apply to *all* patent-infringement plaintiffs; it could readily prevent an operating company or research university from suing an infringer in the district in which both plaintiff and defendant are headquartered. Unless infringement occurred in the district, Oracle could not sue Google in Northern California.

2. A place-of-incorporation approach to residence would impose particularly significant burdens on patent owners in infringement litigation involving multiple defendants, which is common. *See, e.g.*, *Otsuka Pharm. Co. v. Torrent Pharm. Ltd.*, 99 F. Supp. 3d 461, 471 (D.N.J. 2015) (patent-infringement litigation involving more than two dozen related cases). Because venue must be proper as to *each* defendant, *see Stonite*, 315 U.S. at 562-63, and defendants often must be sued separately, *see* 35 U.S.C. § 299, patent owners facing multiple infringers would regularly be unable to sue them all in a single district: if just one defendant is incorporated outside of the district and does not both commit infringement and have a "regular and established place of business" there, venue would be improper. 28 U.S.C. § 1400(b). Parallel infringement cases that might involve "precisely the same issues" would thus have to proceed in scattered courts throughout the country, leading to the

"waste[] of time, energy, and money." *Continental Grain Co. v. Barge FBL-585*, 364 U.S. 19, 26 (1960). It would also tilt the playing field against patent owners, who (unlike accused infringers) would be subject to non-mutual issue preclusion if they lost in one forum. *See Blonder-Tongue Labs., Inc. v. University of Ill. Found.*, 402 U.S. 313, 329-30 (1971).

The multidistrict-litigation statute, 28 U.S.C. § 1407(a), would not be an effective solution to this problem. Section 1407 only permits consolidation of separately filed lawsuits in a single district for *pretrial* proceedings; each case would still be remanded to a separate district for trial. *See Lexecon Inc. v. Milberg Weiss Bershad Hynes & Lerach*, 523 U.S. 26, 28 (1998). This shuttling back and forth between multiple districts would increase litigation costs, which are already notoriously high in patent cases, as Heartland's amici lament. *E.g.*, Intel Br. 33.

3. Heartland and its amici identify the clustering of patent cases in a small number of judicial districts as one of the principal problems with the current system. *See, e.g.*, ABA Br. 7-9; GPhA Br. 3, 11. But if this is a problem, Heartland's proposed rule would not solve it. *Accord* AIPLA Br. 17-18 (explaining that Heartland's approach "could further concentrate patent litigation in certain district courts"). A recent academic study predicts that if Heartland's view of Section 1400(b) were adopted, then almost half of infringement cases filed by operating companies (49.8 percent) would still be filed in only four districts: the District of Delaware, the Central District of California, the District of New Jersey, and the Eastern District of Texas. *See* Colleen V. Chien & Michael Risch, *Recalibrating Patent Venue* 35 tbl.6 (Oct. 6, 2016),

Santa Clara Univ. Legal Studies Research Paper No. 10-1, https://ssrn.com/abstract=2834130. The same study predicts that under Heartland's rule, just three districts (the Eastern District of Texas, the District of Delaware, and the Northern District of California) would account for more than 62% of all NPE cases. *See ibid.*

Unsurprisingly, the District of Delaware would become a dominant forum if Heartland's place-of-incorporation approach were adopted. "More than 66% of all publicly-traded companies in the United States including 66% of the Fortune 500 have chosen Delaware as their legal home." Del. Dep't of State, Div. of Corporations, *About Agency*, https://corp.delaware.gov/aboutagency.shtml. Delaware already hosts a significant amount of patent-infringement litigation, to the point that one of Heartland's amici contends there is an "undue concentration" of cases in that district. GPhA Br. 3. Indeed, then-Chief Judge Sue Robinson warned in 2013 that she and her colleagues (the district has just four authorized judgeships) were already struggling to keep up with the growing patent docket and "[could not] keep this level of work up indefinitely." *Federal Judgeship Act of 2013: Hearing Before the Subcomm. on Bankruptcy and the Courts of the S. Comm. on the Judiciary*, 113th Cong. 3 (2013). Yet if Heartland prevails, patent litigation in Delaware would *increase*, with projections suggesting that Delaware would serve as the forum for almost 20% of patent-infringement cases brought by operating companies and more than 25% of cases initiated by NPEs. Chien & Risch 35 tbl.6; *see also* Jeanne C. Fromer, *Patentography*, 85 N.Y.U. L. Rev. 1444, 1492 (2010) (predicting a "megacluster of patent cases in the Dis-

trict of Delaware" if Congress had adopted a 2006 Senate bill to restrict patent venue).

In short, adopting Heartland's interpretation would not disperse patent-infringement cases throughout the country. Rather, it would merely reshuffle the ranking of the most common forums.

4. Heartland's approach to venue would also create an unjustified disparity between patent owners and accused infringers who file declaratory-judgment actions. Because Section 1400(b) applies only to actions "for patent infringement," 28 U.S.C. § 1400(b), the general venue statute, *id.* § 1391(b), determines venue in suits for a declaratory judgment of patent invalidity or non-infringement. *See VE Holding*, 917 F.2d at 1583. Section 1391(b) affords an accused infringer a wide choice of venue for bringing a declaratory-judgment action. *See* 28 U.S.C. § 1391(b), (c)(2).[25] Under Heartland's view, patent owners would have much more limited venue options if they sue first for infringement. Heartland provides no justification for this disparate treatment.

B. Forum-Shopping Concerns Can Be Addressed Without Adopting Heartland's Restrictive Approach To Patent Venue.

1. The rule the Federal Circuit applied here—that a corporation or unincorporated business entity resides where it is subject to personal jurisdiction—is

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[25] The Federal Circuit recently broadened personal jurisdiction for declaratory judgment actions against NPEs that have sent warning letters into a forum. *See Xilinx, Inc. v. Papst Licensing GmbH & Co. KG*, __ F.3d __, 2017 WL 605307 (Fed. Cir. Feb. 15, 2017).

the same rule that applies generally in non-patent cases. *See* 28 U.S.C. § 1391(b), (c)(2); pp. 5-6, *supra*. Thus, for example, there is no venue-based obstacle to suing a corporation in the Eastern District of Texas in a mass-tort or products-liability case, if personal jurisdiction is proper. Corporations have lived with that rule for nearly 30 years, and with an almost-as-broad rule (making venue proper where a corporation "is doing business") for 40 years before that. Yet outside the patent-infringement context, that rule is not particularly controversial. Why the loud protests about forum-shopping here?

As Heartland itself suggests, the real reason may be the Federal Circuit's approach to personal jurisdiction in patent-infringement cases. *See* Heartland Br. 35; *see also* Wash. Legal Found. Br. 20-32. Beginning with *Beverly Hills Fan*, the Federal Circuit has upheld specific jurisdiction predicated on "indirect shipments" of an infringing product into the forum through established distribution channels, 21 F.3d at 1564-66. *See Nuance Commc'ns, Inc. v. Abbyy Software House*, 626 F.3d 1222, 1233 (Fed. Cir. 2010) (describing the *Beverly Hills Fan* "stream of commerce" theory). In district court, Heartland identified *Beverly Hills Fan*—*not* the Federal Circuit's venue precedent, which came earlier—as the reason that "patent plaintiffs began flocking to the Eastern District of Texas." J.A. 39 n.2. Heartland also previously argued that recent decisions from this Court, such as *Walden v. Fiore*, 134 S. Ct. 1115 (2014), had called Federal Circuit personal-jurisdiction precedent into question. *See* J.A. 33a-38a; Pet. App. 8a-9a.

In an appropriate case, this Court could review whether the Federal Circuit's approach to personal jurisdiction in patent-infringement cases is sound. But that question is not presented here, because Heartland chose not to petition on it. *See* Pet. i. And this Court should not allow policy concerns about the Federal Circuit's personal-jurisdiction precedent to influence its interpretation of the venue statutes: narrowing personal jurisdiction would narrow venue as well, *see* 28 U.S.C. § 1391(c)(2), but the converse is not true.

2. Heartland's view of patent venue is not only too restrictive, but also too rigid, because there would be no mechanism to choose another district in appropriate cases. By contrast, when multiple venues are permissible, 28 U.S.C. § 1404(a) provides a meaningful safeguard against venue abuse. Where the plaintiff's choice of venue is technically proper but another forum is more appropriate, Section 1404(a) gives district judges discretion to order transfer based on case-specific factors. *See Norwood v. Kirkpatrick*, 349 U.S. 29, 32 (1955).

Several of Heartland's amici contend that Section 1404(a) has not been an effective solution to forum-shopping, and they assert that judges in the Eastern District of Texas in particular have been reluctant to grant transfers. *See, e.g.*, Acushnet Br. 18-19; BSA Br. 7; Software Br. 25-27. The data do not support these claims. In 2014, the judges in the Eastern District of Texas granted almost half of the transfer motions filed—a higher grant rate than the Northern District of California.[26] And in 2015, the grant rate

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[26] Brian C. Howard, 2014 *Patent Litigation Year in Review*, LEX MACHINA 9 (Mar. 2015).

for the Eastern District of Texas increased to over *two-thirds*.[27] Moreover, if a district judge unreasonably denies a Section 1404(a) transfer motion, immediate appellate review is available under the Federal Circuit's mandamus jurisdiction. In recent years, the Federal Circuit has granted several mandamus petitions seeking transfer, many from the Eastern District of Texas. *See, e.g.*, *In re Toyota Motor Corp.*, 747 F.3d 1338 (2014); *In re Apple, Inc.*, 581 Fed. Appx. 886 (2014); *In re WMS Gaming, Inc.*, 564 Fed. Appx. 579 (2014); *In re TOA Techs., Inc.*, 543 Fed. Appx. 1006 (2013); *In re Verizon Bus. Network Servs.*, 635 F.3d 559 (2011); *In re Genentech*, 566 F.3d 1338 (2009); *In re TS Tech United States Corp.*, 551 F.3d 1315 (2008).[28] And even if too few transfers were being granted between permissible venues, drastically reducing the number of permissible venues would not be the appropriate solution.

C. Congress Is Better Situated To Reform Patent Venue Appropriately.

In recent years, Congress has considered several proposals to revise the rules for patent venue. There is no need for this Court to pretermit that process. Indeed, it is telling that congressional proponents of venue reform have recognized that "simply returning to the 1948 framework" for venue "would be too strict

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[27] Brian C. Howard & Jason Maples, *Patent Litigation Year in Review 2015*, LEX MACHINA 10 (Mar. 2016).

[28] The Federal Circuit applies regional circuit precedent when reviewing transfer decisions, *see TS Tech*, 551 F.3d at 1319, and the Fifth Circuit subjects Section 1404(a) denials to careful review under its mandamus jurisdiction, *see In re Volkswagen of Am., Inc.*, 545 F.3d 304, 308-09 (5th Cir. 2008) (en banc) (ordering transfer from the Eastern District of Texas).

for modern patterns of technology development and global commerce." H.R. Rep. No. 110-314, at 40 (2007). Instead, the leading proposals seek to address problems with the current system without unduly restricting available venue choices, particularly to operating-company plaintiffs (like Kraft here) and research universities. *See* AIPLA Br. 18-19.

For example, in the last Congress, the House Judiciary Committee reported a bill that would have allowed venue in patent-infringement cases in a district where: (1) the defendant has its principal place of business or is incorporated; (2) the defendant committed an infringing act and has a regular established physical facility; (3) the defendant has consented to suit; (4) an inventor conducted research and development that led to the patent; or (5) any party has a physical facility where it engaged in research and development related to the patent, manufactured a commercial embodiment of the patent, or performed the patented manufacturing process. H.R. 9, 114th Cong. § 3(g) (Jul. 29, 2015). A similar proposal was introduced in the Senate. S. 2733, 114th Cong. § 2 (2016).

Such proposals are carefully calibrated to eliminate forum-shopping by NPEs without dramatically restricting the venue choices available to other types of plaintiffs. They would, for instance, allow universities to bring suit in the districts where they performed research related to the patented inventions. Similarly, the study discussed above predicts that only 18% of operating-company plaintiffs would have to file their claims in a different district under this proposal. Chien & Risch 34. By comparison, over half of operating-company plaintiffs would have to

choose a different forum under Heartland's approach to patent venue. *Ibid.*

The current patent-venue system may be imperfect. But Heartland's proposed cure is worse than the disease. The Court should affirm the judgment below and let Congress continue the work of refining patent venue.

* * * * *

Under the statutory text in force *now*, this case is straightforward. "All venue purposes" does not mean "some venue purposes" or "all venue purposes except for patent venue." Rejecting that plain reading would make a hash of Congress's attempt to define "residence" comprehensively: patent owners, unlike every other federal plaintiff, would be left profoundly uncertain about where they can sue unincorporated entities, and whether they can sue foreign defendants at all. The Court can avoid this unnecessary confusion by simply following its own oft-repeated maxim: that "Congress says what it means and means what it says." *Simmons v. Himmelreich*, 136 S. Ct. 1843, 1848 (2016).

CONCLUSION

The judgment of the court of appeals should be affirmed.

Respectfully submitted.

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APPENDIX

STATUTORY APPENDIX

1. The current version of Title 28 of the United States Code, Chapter 87 (District Courts; Venue), provides in pertinent part:

§ 1390. Scope.

(a) Venue defined.—As used in this chapter, the term "venue" refers to the geographic specification of the proper court or courts for the litigation of a civil action that is within the subject-matter jurisdiction of the district courts in general, and does not refer to any grant or restriction of subject-matter jurisdiction providing for a civil action to be adjudicated only by the district court for a particular district or districts.

(b) Exclusion of certain cases.—Except as otherwise provided by law, this chapter shall not govern the venue of a civil action in which the district court exercises the jurisdiction conferred by section 1333, except that such civil actions may be transferred between district courts as provided in this chapter.

* * * * *

§ 1391. Venue generally.

(a) Applicability of section.—Except as otherwise provided by law

(1) this section shall govern the venue of all civil actions brought in district courts of the United States; and

(2) the proper venue for a civil action shall be determined without regard to whether the action is local or transitory in nature.

(b) Venue in general.—A civil action may be brought in—

(1) a judicial district in which any defendant resides, if all defendants are residents of the State in which the district is located;

(2) a judicial district in which a substantial part of the events or omissions giving rise to the claim occurred, or a substantial part of property that is the subject of the action is situated; or

(3) if there is no district in which an action may otherwise be brought as provided in this section, any judicial district in which any defendant is subject to the court's personal jurisdiction with respect to such action.

(c) Residency.—For all venue purposes—

(1) a natural person, including an alien lawfully admitted for permanent residence in the United States, shall be deemed to reside in the judicial district in which that person is domiciled;

(2) an entity with the capacity to sue and be sued in its common name under applicable law, whether or not incorporated, shall be deemed to reside, if a defendant, in any judicial district in which such defendant is subject to the court's personal jurisdiction with respect to the civil action in question and, if a plaintiff, only in the judicial district in which

it maintains its principal place of business; and

(3) a defendant not resident in the United States may be sued in any judicial district, and the joinder of such a defendant shall be disregarded in determining where the action may be brought with respect to other defendants.

* * * * *

§ 1400. Patents and copyrights, mask works, and designs.

(a) Civil actions, suits, or proceedings arising under any Act of Congress relating to copyrights or exclusive rights in mask works or designs may be instituted in the district in which the defendant or his agent resides or may be found.

(b) Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.

2. The version of 28 U.S.C. § 1391 in effect following the Judicial Improvements and Access to Justice Act of 1988, Pub. L. No. 100-702, § 1013, 102 Stat. 4642 (1988), provided in pertinent part:

§1391 (1988). Venue generally.

(a) A civil action wherein jurisdiction is founded only on diversity of citizenship may, except

as otherwise provided by law, be brought only in the judicial district where all plaintiffs or all defendants reside, or in which the claim arose.

(b) A civil action wherein jurisdiction is not founded solely on diversity of citizenship may be brought only in the judicial district where all defendants reside, or in which the claim arose, except as otherwise provided by law.

(c) For purposes of venue under this chapter, a defendant that is a corporation shall be deemed to reside in any judicial district in which it is subject to personal jurisdiction at the time the action is commenced. In a State which has more than one judicial district and in which a defendant that is a corporation is subject to personal jurisdiction at the time an action is commenced, such corporation shall be deemed to reside in any district in that State within which its contacts would be sufficient to subject it to personal jurisdiction if that district were a separate State, and, if there is no such district, the corporation shall be deemed to reside in the district within which it has the most significant contacts.

(d) An alien may be sued in any district.

* * * * *

3. The version of 28 U.S.C. § 1391 in effect at the time of *Brunette Machine Works, Ltd. v. Kockum Indus., Inc.*, 406 U.S. 706 (1972), provided:

§ 1391 (1970). Venue generally.

(a) A civil action wherein jurisdiction is founded only on diversity of citizenship may, except as otherwise provided by law, be brought only in the judicial district where all plaintiffs or all defendants reside, or in which the claim arose.

(b) A civil action wherein jurisdiction is not founded solely on diversity of citizenship may be brought only in the judicial district where all defendants reside, or in which the claim arose, except as otherwise provided by law.

(c) A corporation may be sued in any judicial district in which it is incorporated or licensed to do business or is doing business, and such judicial district shall be regarded as the residence of such corporation for venue purposes.

(d) An alien may be sued in any district.

4. The version of 28 U.S.C. § 1391 in effect at the time of *Fourco Glass Co. v. Transmirra Prods.*, 353 U.S. 222 (1957), provided:

§ 1391 (1952). Venue generally.

(a) A civil action wherein jurisdiction is founded only on diversity of citizenship may, except

as otherwise provided by law, be brought only in the judicial district where all plaintiffs or all defendants reside.

(b) A civil action wherein jurisdiction is not founded solely on diversity of citizenship may be brought only in the judicial district where all defendants reside, except as otherwise provided by law.

(c) A corporation may be sued in any judicial district in which it is incorporated or licensed to do business or is doing business, and such judicial district shall be regarded as the residence of such corporation for venue purposes.

(d) An alien may be sued in any district.

RECORD AND BRIEFS

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MAR 20 2017
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No. 16-341

IN THE

Supreme Court of the United States

TC HEARTLAND, LLC D/B/A HEARTLAND FOOD PRODUCTS GROUP,

Petitioner,

v.

KRAFT FOODS GROUP BRANDS LLC,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

REPLY BRIEF

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Respondent argues that "*current*" statutory law, "not a *past* Federal Circuit decision," controls this case. Resp. Br. at 14 (emphases in original). We agree. As Petitioner's opening brief states: "The Court should decide this case based on currently in force statutory law and this Court's precedents that remain binding and not overruled." Pet. Br. at 21; *see also id.* at 13–14, 39–42.

The current text of 28 U.S.C. § 1400(b) is exactly the same today as it was when § 1400(b) was enacted in 1948, and as it was when this Court decided *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222 (1957). That text forms a structure that expressly distinguishes between (1) "the judicial district where the defendant resides," on the one hand, and (2) "where the defendant has committed acts of infringement and has a regular and established place of business," on the other.

It is undisputed that at the time of § 1400(b)'s enactment, its phrase, "where the defendant resides," denoted a defendant's "*domicile*." *Fourco*, 353 U.S. at 226 (emphasis in original). The concept of domicile refers to a specific, singular place. "[N]o person has more than one domicil at a time." Restatement (Second) of Conflict of Laws § 11 (1971).

Like the respondent in *Fourco*, Respondent here asserts that the original meaning of § 1400(b) should be abandoned in favor of an artificial meaning of "reside" borrowed from 28 U.S.C. § 1391(c). To accept Respondent's argument would be to make nonsense of § 1400(b)'s express distinction between resident and non-resident defendants and, for a large class of defendants, to destroy the protection that § 1400(b) and predecessor statutes have extended since 1897.

But the more overwhelming defect in Respondent's argument is that the current version of § 1391 provides in subsection (a): "APPLICABILITY OF SECTION.—Except as otherwise provided by law—(1) this section shall govern the venue of all civil actions brought in district courts of the United States."

28 U.S.C. § 1391(a)(1). This exception qualifies the entirety of § 1391 and encompasses the special two-part structure of § 1400(b), which "otherwise provide[s]" for venue in patent infringement actions. *See* Pet. Br. at 13–14, 39–40. To decide this case, the Court need merely give the exception provision of § 1391(a)(1) its plain meaning.

The exception provision in current § 1391(a)(1) presents an obvious textual difficulty for Respondent, but its attempt to address that difficulty comes only in two paragraphs on pages 31–32 of its brief. Respondent asserts that "the '[e]xcept' language in Section 1391(a) has nothing to do with the definitions in Section 1391(c)" because "[t]hose definitions do not 'govern . . . venue.'" Resp. Br. at 32. But laying aside that § 1391(c) prescribes legal fictions ("deemed to reside"), not "definitions," Respondent's own brief asserts that "Section 1391(c) now governs '[f]or all venue purposes.'" Resp. Br. at 8.

That is to say, Respondent argues that § 1391(c) "governs '[f]or all venue purposes'" but its "definitions do not 'govern . . . venue.'" Resp. Br. 8, 32. The Court should reject this self-contradictory argument, reaffirm this Court's well-established construction of § 1400(b), and reverse with directions that venue of this action is improper in the District of Delaware.

I. THE TEXT AND STRUCTURE OF § 1400(b)

28 U.S.C. § 1400(b) provides:

> Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.

Section 1400(b)'s text expressly distinguishes between (1) "the judicial district where the defendant resides," on the one hand, and (2) "where the defend-

ant has committed acts of infringement and has a regular and established place of business," on the other. Those two provisions describe two different venues, and the meaning of each provision is informed by its "companion provision." *Life Techs. Corp. v. Promega Corp.*, 137 S. Ct. 734, 741 (2017).

A. The Undisputed Original Meaning of § 1400(b)

Respondent does not dispute that at the time of its enactment, the § 1400(b) phrase, "the judicial district where the defendant resides," denoted the judicial district where a defendant's "*domicile*" was located, *Fourco*, 353 U.S. at 226 (emphasis in original), and was "synonymous" with the district "of which the defendant is an inhabitant" found in § 1400(b)'s immediate predecessor statute, *id.* at 225–26 (quoting Judicial Code of 1911, ch. 231, § 48, 36 Stat. 1087, 1100). The word "inhabitant" is narrower than "citizen" and denotes a location *within* a state. *See Shaw v. Quincy Mining Co.*, 145 U.S. 444, 447 (1892); *Galveston, Harrisburg & San Antonio Ry. Co. v. Gonzalez*, 151 U.S. 496, 504–06 (1894).

Respondent also does not dispute that at the time of its enactment, the § 1400(b) phrase, "where the defendant has committed acts of infringement and has a regular and established place of business," denoted venues where *non-resident* defendants were subject to suit for alleged patent infringement. If the terms of the second clause of § 1400(b) are satisfied, venue is proper regardless of whether a defendant "resides" in the forum district or not. This point is reinforced by 28 U.S.C. § 1694, which was enacted in conjunction with § 1400(b) and authorizes service of originating process "[i]n a patent infringement action commenced in a district where the defendant is *not a resident* but has a regular and established place of business" (emphasis added).

Respondent also does not dispute that § 1400(b) applies, by its terms, to all *types* of natural and juris-

tic person defendants. This fact was, indeed, one basis on which *Fourco* held that § 1400(b) is "complete, independent and alone controlling in its sphere" and "is not to be supplemented by the provisions of 28 U.S.C. § 1391(c)." 353 U.S. at 228, 229; *see id.* at 228 ("We think it is clear that § 1391(c) is a general corporation venue statute, whereas § 1400(b) is a special venue statute applicable, specifically, to *all* defendants in a particular type of actions, *i.e.*, patent infringement actions." (emphasis in original)).

Section 1400(b)'s comprehensive nature is confirmed by its immediate predecessor, which expressly stated that it applied to any "defendant, *whether a person, partnership, or corporation.*" Pet. Br. at 4–5 (quoting Judicial Code of 1911 § 48, 36 Stat. at 1100) (emphasis added). And *Fourco* held that the 1948 codification of § 1400(b) "made no substantive change from" its immediate predecessor. 353 U.S. at 228. *Cf. Kimble v. Marvel Entm't, LLC*, 135 S. Ct. 2401, 2409 (2015) ("*stare decisis* carries enhanced force when a decision . . . interprets a statute").

When given its original meaning, § 1400(b) prescribes a straightforward, easily-administered, two-part test for whether a judicial district is a proper venue for a patent infringement action. The facts of this case are illustrative.

Petitioner is a limited liability company ("LLC") organized and existing under the laws of Indiana. Under Indiana law, a limited liability company is "a distinct legal entity," *Troutwine Estates Dev. Co. v. Comsub Design & Eng'g, Inc.*, 854 N.E.2d 890, 898 (Ind. Ct. App. 2006), and exists pursuant to its articles of organization which prescribe, among other things, the location of Petitioner's registered office in Indiana, *see* IND. CODE §§ 23-18-2-4, 23-18-2-10(a). Petitioner has no offices, employees, or operations in Delaware. JA22a–23a.

Under the original meaning of § 1400(b), this is an easy case. The District of Delaware is not "the judicial district where the defendant resides" under § 1400(b)'s original meaning, because Petitioner is an Indiana LLC and its domicile is in the Southern District of Indiana. And Petitioner has no place of business in Delaware, thus rendering the second clause of § 1400(b) inapplicable.

B. Interpreting § 1400(b) to Have Its Original Meaning, as *Fourco* Did, Does Not Yield the Practical Problems Asserted by Respondent.

Respondent asserts that adherence to *Fourco*'s interpretation of § 1400(b)—that is, giving the statute its original meaning—would result in practical problems that a revisionist interpretation of the statute would obviate. Not so.

1. Alien Defendants

Respondent argues that continued adherence to *Fourco*'s interpretation of § 1400(b) would "overturn" *Brunette Machine Works, Ltd. v. Kockum Industries, Inc.*, 406 U.S. 706 (1972), and make "patent-infringement suits against many foreign defendants . . . *literally impossible*." Resp. Br. at 13, 23–24 (emphasis in original). Nothing of the sort is true.

Respondent's argument is based on a mischaracterization of *Brunette*'s holding. *Brunette* holds that the venue protection prescribed in § 1400(b) does not extend to alien defendants. 406 U.S. at 713–14. Thus, after *Brunette*, alien defendants in patent infringement actions have always had to look outside of § 1400(b) for any possible venue protection. That remains true today, and will remain true if the Court adheres to *Fourco*'s interpretation of § 1400(b).

Prior to 2011, alien defendants would look in vain for any venue provision that would limit where they were subject to suit for alleged patent infringement. Today some alien defendants may have a venue de-

fense under current § 1391(c) that did not exist at the time *Brunette* was decided, albeit only in the rarest of cases.[1] But neither before nor after 2011 does any subsection of § 1391 supplement § 1400(b). Rather, as this Court held in *Brunette*, alien defendants are simply outside the scope of § 1400(b).

2. "Unincorporated" Defendants

Respondent insinuates that adherence to *Fourco*'s interpretation of § 1400(b) would purportedly leave "courts struggling to ascertain the residence of an individual, an unincorporated business, or a corporate plaintiff." Resp. Br. at 1. To the contrary, by referring to a defendant's domicile, § 1400(b) obviates the "struggling" Respondent refers to.

"'Domicile' is, of course, a concept widely used in both federal and state courts for jurisdiction and conflict-of-laws purposes, and its meaning is generally uncontroverted." *Miss. Band of Choctaw Indians v. Holyfield*, 490 U.S. 30, 48 (1989). The "domicile" of an individual is generally determined by reference to a physical presence in a place with a certain intent to remain there. *Id.* The domicile of a juristic person, such as a corporation or other artificial entity organized under state law, is generally determined by reference to the person's state charter. *See, e.g., Fairbanks Steam Shovel Co. v. Wills*, 240 U.S. 642, 647–48 (1916).

Even in the unusual case of an action against an association-in-fact having no legal existence or personhood, the rule has long been clear. In *Sperry Products, Inc. v. Association of American Railroads*,

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[1] The issue would seem to arise only where the defendant is (i) a natural person, (ii) domiciled in the United States, and (iii) sued outside the district of domicile.

132 F.2d 408 (2d Cir. 1942), Judge Learned Hand established that the domicile or inhabitancy of such a non-person for purposes of patent venue was fixed in a single place—where the association maintained its principal place of business. *Id.* at 411–12.

Contrary to Respondent's suggestion (Resp. Br. at 13, 27–31), the case of *Denver & Rio Grande Western Railroad Co. v. Brotherhood of Railroad Trainmen*, 387 U.S. 556 (1967), has no application to patent infringement actions. At issue in *Denver & Rio Grande* was the scope of the general venue statute § 1391(c) which, under *Fourco*, does not apply to patent infringement actions.[2]

Thus, even after *Denver & Rio Grande*, *Sperry*'s rule fixing residence in only one place continued to control patent venue without any hint of controversy. *See* 15 Charles A. Wright et al., *Federal Practice and Procedure* § 3823, at 142 & n.41 (1st ed. 1976) (citing *Sperry* as the controlling law for determining the residence of an association for patent venue, and citing no contrary authority on the point). The decades of *Sperry*'s acceptance refute Respondent's assertion that the rule is "unworkable." Resp. Br. at 30. Respondent's brief cites not a single example from this period of the "problems" (Resp. Br. at 27) it asserts

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[2] Indeed, *Denver & Rio Grande* relied on *Sperry* for the principle of "analogizing incorporated and unincorporated entities." 387 U.S. at 561. The Court noted that *Sperry* had recognized that the patent venue statute required "a single residence," *id.* at 560, and thus had fixed the unincorporated association's residence in one place. Section 1391(c), in contrast, then as now provided that multiple districts would be deemed or regarded as a corporate defendant's residence for venue purposes. *Denver & Rio Grande* considered whether a labor union should be treated similarly to corporations under § 1391(c).

adherence to *Fourco*'s interpretation of § 1400(b) would purportedly yield.

C. Interpreting § 1400(b) as Having Its Original Meaning, as *Fourco* Did, Is Reinforced by the Canon Disfavoring Implied Repeals.

As a cure for the illusory problems that would supposedly attend adhering to the original meaning of § 1400(b), Respondent seeks a cure—a new interpretation of § 1400(b) that would negate the protections it affords to almost all defendants—that is essentially legislative in nature. "Courts should not render statutes nugatory through construction." *United States v. Tohono O'odham Nation*, 563 U.S. 307, 315 (2011).

Respondent suggests its position will help "to clarify venue law," and then later in its brief, argues that any patent forum-shopping concerns can be addressed through litigation over personal jurisdiction. Resp. Br. at 19, 55. To adopt Respondent's suggested revisionist interpretation of § 1400(b) would be to destroy, for almost all patent defendants (*i.e.*, all juristic person defendants), the venue protection that § 1400(b) and predecessor statutes have extended since 1897, and to foment complex constitutional litigation in thousands of different factual scenarios.

Section 1400(b) and its companion service of process provision, 28 U.S.C. § 1694, were designed by Congress "to define the exact jurisdiction of the federal courts in actions to enforce patent rights." *Stonite Prods. Co. v. Melvin Lloyd Co.*, 315 U.S. 561, 565 (1942). Respondent does not deny that its proposed construction of § 1400(b) would permit non-resident defendants to be sued for alleged patent infringement in venues where they lack any regular and established place of business, in direct contradiction of § 1400(b)'s plain meaning. But Respondent asserts that this outcome is tolerated by the canon disfavoring surplusage because, under Respondent's pro-

posed construction, § 1400(b) might still have some application to natural person defendants. Resp. Br. at 34.

The canon disfavoring surplusage does not salvage Respondent's position. That canon applies in determining the meaning of a particular statute, *see Clark v. Rameker*, 134 S. Ct. 2242, 2248 (2014) (applying the canon to reject an interpretation that would "write out of the statute" certain elements in that statute), whereas the implied repeal canon applies where, as here, a court is trying to determine whether a "later statute" undermines in whole or in part an earlier statute. *Radzanower v. Touche Ross & Co.*, 426 U.S. 148, 153–54 (1976) (applying the canon to prevent a "*pro tanto*" or partial repeal).

Radzanower also directly refutes Respondent's argument that the implied repeal canon has no application where the later statute is merely removing a "judicial gloss." Resp. Br. at 45 (citation omitted). *Radzanower* is highly similar to this case not only because that case concerned whether a nineteenth century venue statute addressing "a narrow, precise, and specific subject" should be interpreted as "submerged" by a "generalized" venue statute enacted decades later, 426 U.S. at 153–54; but also because the implied repeal issue in that case arose due to this Court's prior interpretations of the older venue statute as "mandatory and exclusive" for a particular class of cases. *Id.* at 152.

Arguing the implied repeal canon is inapplicable to judicial glosses, Respondent misreads *Ex parte Collett*, 337 U.S. 55 (1949). The Court there reasoned that an earlier statute addressed "the proper forum" in which to bring an action, whereas the latter statute dealt "with the right to transfer an action properly brought." *Id.* at 60. The Court then noted that those issues—"venue" and "transfer"—are "two separate and distinct problems," *id.* at 60 & n.10, and

on that basis, the Court concluded that the later statute "does not repeal" the earlier. *Id.* at 60.

The standard for implied repeal is demanding, *see Radzanower*, 426 U.S. at 154, and Respondent does not claim that that standard is met here. Under *Radzanower*, the current version of § 1391 is not rightly or reasonably interpreted as negating venue protections that § 1400(b) and predecessor statutes have extended for more than a century. Here again, "*stare decisis* carries enhanced force when a decision . . . interprets a statute." *Kimble*, 135 S. Ct. at 2409; *see also Kremer v. Chem. Constr. Corp.*, 456 U.S. 461, 468 (1982) (applying *Radzanower* to disfavor "implied partial repeal").

Respondent's proposed interpretation of § 1400(b) is not saved but, to the contrary, is further undermined by Respondent's argument that § 1400(b) would still, under its construction, have some force with respect to *natural person* defendants. Resp. Br. at 34. Respondent's position is that § 1400(b) purportedly now *discriminates* among different types of defendants—a position directly contradicting *Fourco*'s teaching that § 1400(b) applies "to *all* defendants in a particular type of actions, *i.e.*, patent infringement actions." 353 U.S. at 228 (emphasis in original).

II. CURRENT § 1391 DOES NOT DESTROY THE VENUE PROTECTIONS OF § 1400(b).

Respondent's position also requires embracing incoherent or incorrect interpretations of § 1391(a)(1) and § 1391(c). By contrast, Petitioner's position makes sense of these provisions.

A. Section 1391(a)(1) Preserves § 1400(b) and Its Authoritative Construction by This Court.

This brief's introduction already explained the incoherence of Respondent's position that the exceptions clause has no application to subsection (c) be-

cause, even though "Section 1391(c) now governs '[f]or all venue purposes," § 1391(c)'s "definitions do not 'govern . . . venue.'" Resp. Br. at 8, 32. In contrast, Petitioner's interpretation makes sense of the text, structure, and history of the statute.

Unlike Respondent's unfathomable construction of the word "govern" in § 1391(c), Petitioner's interpretation of the text is straightforward. The word "govern" ordinarily means "to control, direct, or strongly influence the actions and conduct of," "determine, guide, regulate," and "to constitute a rule or law for: serve as a precedent or deciding principle for." *Webster's Third New Int'l Dictionary* (2017) (entry for "govern"). Any of those definitions leads to the common-sense result that § 1391(c) is a part of the statute that governs (i.e., controls, exerts influence over, or serves as a deciding principle for) venue.

As for statutory structure, subsection (c) is in § 1391, and the exception provision in § 1391(a)(1) applies to the whole "section."

Petitioner's interpretation is also consistent with the history of § 1391. At the time *Fourco* was decided, 28 U.S.C. § 1391 lacked any express exceptions clause similar to current § 1391(a)(1), and broadly provided that certain judicial districts "*shall be regarded* as the residence of such corporation *for venue purposes*." 28 U.S.C. § 1391(c) (1952) (emphasis added) (reproduced in Pet. App. 58a). The § 1391(c) language that *Fourco* considered ("for venue purposes") is not meaningfully different from the current § 1391(c) preamble ("[f]or all venue purposes").

Indeed, the breadth of the prior language in § 1391(c) is confirmed by *Pure Oil Co. v. Suarez*, 384 U.S. 202 (1966), which interpreted § 1391(c) as "appl[ying] to *all venue statutes* using residence as a criterion, at least in the absence of contrary restrictive indications in any such statute." *Id.* at 204–05

(emphasis added). The Court specifically cited *Fourco* as an example where such "contrary restrictive indications" were in the statute, *id.* at 206–07, but the Court nonetheless applied the then-existing version of § 1391(c) to define a company's residence for purposes of the Jones Act, 46 U.S.C. § 688 (1964).

Thus, the history of § 1391(c) is that the statute has long applied to "all venue statutes," *but with exceptions*. That approach is precisely the approach evident in the text and structure of current § 1391—covering "all" venue in (c) but with exceptions permitted under (a)(1). It is also a common and sensible approach for a generally applicable statute. Thus, for example, the Administrative Procedure Act provides a "general" right of judicial review with an exception where another "statute 'preclude[s] judicial review.'" *Block v. Cmty. Nutrition Inst.*, 467 U.S. 340, 345 (1984). And such an exception can be triggered where the application of the general rule "would severely disrupt th[e] complex and delicate" provisions of another statute. *Id.* at 348.

Finally, Respondent does not defend the Federal Circuit's suggestion (Pet. App. 5a–7a) that this Court's precedent interpreting § 1400(b) is not "law" within the meaning of § 1391(a)(1). "The term law in our jurisprudence usually includes the rules of court decisions as well as legislative acts." *Warren v. United States*, 340 U.S. 523, 526 (1951); *see also Illinois v. City of Milwaukee*, 406 U.S. 91, 100 (1972). Congress clearly knows how to exclude case law precedent from statutory exceptions. *Cf.* 28 U.S.C. § 1367(a) ("Except as provided in subsections (b) and (c) or as expressly provided otherwise by Federal *statute* . . . ." (emphasis added)).

The term "law" in § 1391(a)(1) is easily broad enough to encompass judicial decisions construing the meaning of statutes. *Fourco* held that § 1400(b) was "complete, independent and alone controlling in its sphere," 353 U.S. at 228, and "is not to be sup-

plemented by the provisions of 28 U.S.C. § 1391(c)." *Id.* at 229. That interpretation prescribes the meaning of § 1400(b)'s text and thus is an integral part of the venue "law" that § 1391(a)(1) excepts from the operation of § 1391.

B. The Phrase "All Venue Purposes" Does Not Make Current § 1391(c) Apply More Broadly Than in *Fourco*.

Respondent relies heavily on the presence of the world "all" in current § 1391(c) and interprets that single word as mandating a rigid rule admitting of absolutely no exceptions. Yet even the version of § 1391(c) in force at the time of *Fourco* was interpreted by this Court's *Pure Oil* decision to apply to "all" venue statutes (with exceptions). 384 U.S. at 204-05. History provides additional reasons for rejecting the Respondent's interpretation.

After its amendment in 1988, the text of § 1391(c) facially *restricted* the subsection so that it applied only "[f]or purposes of venue *under this chapter*." 28 U.S.C. § 1391(c) (1988) (emphasis added). That restrictive language raised the possibility that *Pure Oil*—which applied § 1391(c) to a statute well outside the venue chapter of title 28—was no longer good law. Such a result, one leading commentator bemoaned, would be not only an "undesirable" result but also something that "Congress could not possibly have intended when it amended Section 1391(c) in 1988." 17 James Wm. Moore et al., *Moore's Federal Practice* § 110.03[4][b], at 110-38 (3rd ed. Supp. 2008).

Although no lower court appears to have ever relied on the 1988 amendment's restrictive language to

constrain the application of § 1391(c) definitions,[3] the American Law Institute's Federal Judicial Code Revision Project, which was approved May 17, 2001, viewed the language "[f]or purposes of venue under this chapter" as an "unfortunate prefatory phrase." Am. Law Inst., *Federal Judicial Code Revision Project* 189 (2004) (the "ALI Project"). The ALI Project therefore proposed adding "the introductory phrase . . . '[f]or all venue purposes'" as a means of "resolv[ing] the problem created [by] the 1988 amendment." *Id.*

Thus, the word "all" was suggested by the ALI Project to resolve a specific problem, and that word, coupled with the exceptions clause in (a)(1), restructured the statutory text language to be precisely as *Pure Oil* had interpreted the section decades earlier—applying to "all" venue statutes but with exceptions for statutes like § 1400(b).

The ALI Project also describes the new prefatory phrase as applying "globally," *id.* at 188, a word Re-

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[3] *See McCracken v. Auto. Club of S. Cal.*, 891 F. Supp. 559, 562 (D. Kan. 1995) (collecting authorities demonstrating that, although "the introductory phrase 'For purposes of venue under this chapter' . . . arguably limits the applicability of [§ 1391(c)], the practice of supplementing special venue statutes with § 1391(c) continues"); *see also* 17 James Wm. Moore et al., *Moore's Federal Practice* § 110.03[4][b], at 110-37 (3rd ed. Supp. 2008) (recommending that courts "should" apply the 1988 version of § 1391(c) to statutes outside of the venue chapter of title 28). It is ironic that the only lower court to give the restrictive language of the 1988 amendment any operative force was the Federal Circuit in *VE Holding*, but it relied on the restrictive language to *expand* the application of § 1391(c).

spondent quotes repeatedly. *See, e.g.*, Resp. Br. at 18, 21, 42, 47. But the word "globally" does not appear in the statute. The ALI Project also never hinted that § 1391(a)(1)'s exceptions clause was inapplicable to subsection (c).

Furthermore, the ALI Project was simultaneously and vigorously urging Congress to repeal § 1400(b), describing the statute as a "cancer" and "pernicious." *Id.* at 212, 214. The ALI's recommendation came in 2001, but a decade later, Congress rejected the recommendation. The ALI Project thus highlights what Congress did *not* do. Perhaps the congressional rejection of the ALI's recommendation was because times had changed: By 2011, the ill effects of expansive patent venue were already being experienced due to the Federal Circuit's erroneous decision in *VE Holding*. Or perhaps the Congress had other reasons. In any event, the views of the ALI Project are—to put it mildly—a fundamentally unreliable source for discerning the appropriate relationship between current §§ 1391 and 1400(b).

Finally, Respondent's simplistic all-means-all-without-exceptions construction of § 1391(c) does not even account for the very next provision in the statute. Current § 1391(d) provides a definition of corporate residence different from, and narrower than, the definition provided in subsection (c)(2). Section 1391(d) can be reconciled with subsection (c) only by accepting that the word "all" in § 1391(c) does not preclude exceptions.

III. RESPONDENT'S POSITION HAS MANY ADDITIONAL WEAKNESSES.

Respondent's position has many other weaknesses, and its amici's arguments do not bolster its case.

A. Respondent Cannot Reconcile Its Position With the Existence of the ATM Provision in AIA § 18(c).

Respondent relegates its discussion of § 18(c) of the Leahy-Smith America Invents Act ("AIA") to a single footnote but is unable to reconcile its position with the existence of that statute.

Respondent describes § 18(c) as "an uncodified provision of patent law." Resp. Br. at 36 n.18. Yet a statute is a statute whether codified or not, and Respondent cites no authority that uncodified statutes have less weight.

Respondent also notes that § 18(c) was enacted before (about three months before) the 2011 Amendment to § 1391, but Respondent errs in arguing that the earlier statute cannot be used in determining what "the later statute means." Resp. Br. at 37 n.18. The canon against implied repeals is precisely designed to assist courts in reaching the correct interpretation of "the later of the two statutes," with the courts avoiding interpretations that would render the "new statute . . . as wholly or even partially amending a prior one." *Regional Rail Reorganization Act Cases*, 419 U.S. 102, 134 (1974) (citation omitted).

Here, there can be no doubt that Respondent's interpretation renders § 18(c) partially and perhaps even completely inoperative because Respondent's position renders "the second part of Section 1400(b) unused in most cases," except "in suits against individual defendants." Resp. Br. at 34. Yet that "second part of Section 1400(b)—i.e., the part providing venue in districts "where the defendant has committed acts of infringement and has a regular and established place of business"—is precisely the part that § 18(c) amends.

Under Respondent's position, Congress decided in September of 2011 to restrict patent venue by ex-

cluding ATMs from being considered regular and established places of business under § 1400(b), but then three months later, the very same Congress *impliedly* repealed that protection for almost every patent infringement defendant (save for natural persons personally owning ATM machines). Respondent's interpretation of the 2011 amendment—in addition to being based on a highly implausible sequence of events—clearly triggers the canon against implied repeals and should be disfavored.

By contrast, Petitioner's interpretation of the 2011 Amendment is not disfavored by the implied repeal canon because, under that interpretation, the 2011 Amendment did not affect AIA § 18(c) at all. The House Report on the 2011 Amendment was issued seven months prior to the passage of AIA § 18(c), and that report already omitted the ALI's proposal to repeal § 1400(b). *See* H.R. REP. NO. 112-10 (2011). Thus, when AIA § 18(c) was being enacted, members of Congress would have expected that § 1400(b) would remain good law, so the slight adjustment to § 1400(b)'s scope was sensible.

B. Congress Clearly Wrote a Special Venue Rule for Patent Litigation.

Some of Respondent's amici assert that "[i]n general matters of litigation, such as procedural rules, there is typically no reason to treat patent law differently from other areas of law." Br. of 22 Law, Economics and Business Professors in Support of Respondent at 14. That broad generalization does not withstand even the slightest scrutiny.

First, the statute at issue here was originally enacted by Congress in 1897 and was only two sentences long. It was entirely a special statute just for patent law governing two matters of litigation procedure: venue (now § 1400(b)) and service of process (now § 1694). In 2011, Congress also had a recommendation to repeal § 1400(b), and it declined. The

courts should not second-guess those congressional choices.

Second, several federal district courts have promulgated special local rules applicable only to patent cases. *See, e.g.*, E.D. Tex. Pat. Rules, http://www.txed.uscourts.gov/d/1179; N.D. Cal. Pat. Rules, http://www.cand.uscourts.gov/localrules/patent. The existence of these special local patent rules underscores Petitioner's point that patent infringement "is a tort that differs in important respects from other torts that federal courts are called upon to remedy." Pet. Br. at 33. Respondent's brief does not dispute this point.

Third, the patent field is home to one of the largest exceptions to the ordinary rules of litigation—the nationwide exclusive jurisdiction of the Federal Circuit. 28 U.S.C. § 1295(a)(1).

C. Respondent's and Its Amici's Policy Arguments Are Misdirected and Unpersuasive.

Respondent and its amici advance a number of institutional and policy reasons for affirming the decision below, none of which are persuasive or justify this Court overruling *Fourco* and holding, for the first time, that § 1400(b) means something wildly different than it meant when the statute was enacted and when this Court construed it in *Fourco*.

Respondent asserts that § 1400(b), as construed in *Fourco*, is "Unduly Restrictive" of "where patent owners can sue." Resp. Br. at 49, 50, 54. This is but an unvarnished reprise of the ALI Project's rejected call for § 1400(b)'s repeal.[4] Respondent's argument

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[4] The ALI Project reporter appears to have been influenced by an ABA "Section" policy position. *See* John B. Oakley, *Prospec-*

Footnote continued

does not cite a single real world example (*see* Resp. Br. at 50–51), and flies in the face of the 1897–1990 period, during which the nation's output of new technologies was unrivaled in the world and domestic corporate defendants were not subjected to the types of patent lawsuit abuses that amici supporting Petitioner describe. At all events, whether the provisions of § 1400(b)'s provisions are, or are not, "Unduly Restrictive" is irrelevant to the correct decision of the Question Presented in this case.

Respondent asserts that enforcing § 1400(b) according to its terms would purportedly "Make Patent Litigation More Burdensome, Not Less." Resp. Br. at 49, 51–52. This argument appears to be a euphemistic way of describing certain district courts' recent willingness to stretch Federal Rule of Civil Procedure 20(a)[5] to permit the joinder of unrelated de-

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tus for the American Law Institute's Federal Judicial Code Revision Project, 31 U.C. DAVIS L. REV. 855, 966 (1998) ("Significantly, the American Bar Association's Intellectual Property Section has called for subsection 1400(b)'s repeal in favor of having patent actions fall under the general venue statute."). As set forth in the Petition (Pet. at 16–17) and in the amicus curiae brief that the full ABA has submitted in support of Petitioner in this case, on August 8, 2016, the ABA House of Delegates adopted a resolution that "supports an interpretation of the special patent venue statute, 28 U.S.C. § 1400(b), that does not adopt the definition of 'resides' in the separate, general venue statute, 28 U.S.C. § 1391(c), to ascertain the meaning of 'resides' in § 1400(b)."

[5] *Compare Pergo, Inc. v. Alloc, Inc.*, 262 F. Supp. 2d 122, 127 (S.D.N.Y. 2003) (Koeltl, J.) (holding that Rule 20(a) does not permit joinder of unrelated defendants, selling independently

Footnote continued

fendants, selling independently developed products, in a single action for alleged patent infringement. Such joinder has the practical effect of denying defendants access to the same amount of pretrial and trial resources as plaintiffs expect and receive for their own claims, and making it impossible for a defendant to tell its own story in court, free of the distraction and confusion of co-defendants telling different, and potentially conflicting, stories. If enforcing § 1400(b) according to its original meaning, as *Fourco* interpreted it, limits patent plaintiffs' opportunities to coerce defendants in this fashion, that is no "burden" beyond what Rule 20(a) was historically understood to impose.

Respondent asserts that enforcing § 1400(b)'s existing provisions, as construed in *Fourco*, "would not disperse patent-infringement cases throughout the country" but purportedly "would merely re-shuffle the ranking of the most common forums." Resp. Br. at 54. Besides being wholly speculative and irrelevant to the Question Presented, Respondent's speculation as to future behaviors of patent litigants overlooks that *this case* involves an *Indiana* defendant seeking transfer to the Southern District of Indiana, where the accused products were designed and are manufactured. *See* JA24a–25a.

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developed products, in a single patent infringement action), *with MyMail, Ltd. v. Am. Online, Inc.*, 223 F.R.D. 455, 457 & n.2 (E.D. Tex. 2004) (Davis, J.) (rejecting *Pergo* and holding that Rule 20(a) permits joinder of unrelated defendants, selling independently developed products, in a single patent infringement action).

Not only are Petitioner's relevant activities overwhelmingly concentrated in Indiana, but the enforceability of the one remaining patent-in-suit turns importantly on the conduct, knowledge, and intent of actors who work and reside in the general vicinity of Respondent's headquarters location in Northfield, Illinois. *See* JA63a–92a. Petitioner's rights under § 1400(b) are not rightly denigrated based on academic speculation that restoration of § 1400(b) might not result in an *immediate* shift in where patent infringement actions may be brought.

Respondent asserts that enforcing § 1400(b)'s existing provisions, as construed in *Fourco*, is unnecessary and unwise because motions for transfer of venue under 28 U.S.C. § 1404(a) purportedly provide a superior way to direct patent infringement suits. Resp. Br. at 56–57. The contention is insupportable. The venue protection that § 1400(b) provides is a matter of right; it is enforceable by means of a straightforward, inexpensive, two-part test as described in Part I, *supra*; and its non-enforcement is subject to interlocutory appellate review. *Cf. Atl. Marine Constr. Co. v. U.S. Dist. Court for W. Dist. of Tex.*, 134 S. Ct. 568 (2013) (reviewing refusal to enforce forum selection clause). In contrast, transfer of venue under 28 U.S.C. § 1404(a) is not a matter of right; its resolution is highly complex and fact bound; and discretionary decisions on venue transfer motions are all but unreviewable by way of writ of mandamus.

Respondent's final argument is headed: "Congress Is Better Situated To Reform Patent Venue Appropriately." Resp. Br. at 57. The question here, however, is not whether this Court should "reform patent venue," but whether § 1400(b) continues to have its original meaning as previously and authoritatively construed by this Court. The answer to that question is "yes," and can come only from this Court.

CONCLUSION

For the reasons set forth above, the decision below should be reversed with directions that venue of this action was improperly laid in the District of Delaware.

Respectfully submitted,

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IN THE

Supreme Court of the United States

TC HEARTLAND LLC,

Petitioner,

v.

KRAFT FOODS GROUP BRANDS LLC,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR *AMICUS CURIAE* ACT | THE APP ASSOCIATION IN SUPPORT OF PETITIONER

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INTEREST OF THE *AMICUS CURIAE*[1]

ACT | The App Association is an international grassroots advocacy and education organization representing more than 5,000 small software application developers and information technology firms and is the only organization focused on the needs of small business innovators from around the world. The App Association advocates for an environment that inspires and rewards innovation while providing resources to help its members leverage their intellectual assets to raise capital, create jobs, and continue to grow.

In light of the critical role that venue plays in patent litigation, the App Association has a keen interest in the proper functioning of the U.S. patent system. Our members include companies who have faced, and continue to face, suits for patent infringement in particular federal districts that may be thousands of miles away from their headquarters due to claims that products at issue enter the stream of commerce in such districts simply by virtue of them being available over the internet. The potential to be sued anywhere at the option of an unknown party under 28 U.S.C. § 1400(b) carries with it the potential of surprise and substantial costs, which can often spell the death of these small businesses. The App Association is deeply invested in ensuring that its members and the

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1. Pursuant to Rule 37.6, amicus affirms that no counsel for a party authored this brief in whole or in part and that no person other than amicus and its counsel made a monetary contribution to its preparation or submission. Petitioner filed a blanket consent in this appeal on October 3, 2016, and respondent provided its consent to the filing of this brief via email dated January 18, 2017. The latter has been filed with the Clerk's office.

app economy can grow and create American jobs with confidence in the legal system's approach patent cases.

SUMMARY OF ARGUMENT

ACT | The App Association (the App Association) members include companies who have faced, and continue to face, suits for patent infringement in particular federal districts that may be thousands of miles away from their headquarters due to claims that products at issue enter the stream of commerce in such districts simply by virtue of them being available over the internet. The potential to be sued anywhere at the option of an unknown party under 28 U.S.C. § 1400(b) carries with it the potential of surprise and substantial costs, which can often spell the death of these small businesses. From this perspective, the App Association writes in support of the Petitioner's brief.

The small business software industry is the driving force behind the extraordinary growth in internet-related devices (*e.g.*, smartphones, tablets, etc.) that has revolutionized the way that Americans work and play. Underlying the growth and ingenuity of this sector and its related benefits are intellectual property rights, including patents, and the need for a coherent legal framework for intellectual property disputes. Duplicitous efforts by patent litigants to "forum shop" are increasingly undercutting this needed certainty. Further, as a result of "forum selling" – efforts by district courts to attract patent litigants who have the ability to file in essentially any district in the United States – litigants find "forum shopping" (in particular, choosing to surprise a defendant by suing in a district other than where the defendant is headquartered) easier than ever.

The App Association contends that the Federal Circuit's interpretation of section 1400(b) runs contrary to congressional intent and this Court's case law. If this Court adopts the lower court's rogue interpretation, selective "forum shopping" practices that undermine confidence in the patent litigation system will be encouraged more than ever before. To combat this effect and restore confidence in the system, this Court must hold consistent with its original and more appropriate interpretation of 1400(b) as established by *Fourco Glass Co.v. Transmirra Products Corp.* Confirming *Fourco* will provide much-needed predictability in the patent system the nascent app economy needs by correcting the flawed approach taken by the Federal Circuit's analysis.

In its interpretation of section 1400(b), the Federal Circuit's decision disregards *Fourco* and creates – in effect – a "universal" approach to patent venue that will effectively allow an accused patent infringer to be haled into any court regardless of its connections to that court's district. We urge this Court to agree that the Federal Circuit improperly held that *Fourco* no longer controls a patent venue determination because the 1988 change to 1391(c) required the Federal Circuit to reexamine the interplay of Section 1391(c) and Section 1400(b) "as a matter of first impression." Additionally, to hold that contention, the Federal Circuit's decision erroneously relies on congressional reports that do not support its reasoning that the holding in *VE Holding* is the appropriate interpretation; however, the congressional reports to which the Federal Circuit refers, and goes as far as to cite in the case at bar, reference *VE Holding* as the justification for amending Section 1400(b) to ameliorate the harms derived from that decision's rogue interpretation. Even

further, the Federal Circuit's decision contradicts well-established precedent concerning statutory construction and interpretation to get to its result.

We urge the Court to reverse the Federal Circuit's decision, consistent with the arguments discussed below.

ARGUMENT

I. PATENTS – AND PREDICTABILITY IN THE FUNCTIONING OF THE PATENT SYSTEM – ARE VITAL TO THE NASCENT APP ECONOMY'S CONTINUED GROWTH

In its relatively short existence, the software application (app) industry has served as the driving force in the rise of smartphones, tablets, and other internet-connected devices and markets. The rise of the app economy has revolutionized the software industry, touching every sector of the economy in every United States (U.S.) federal district. ACT | The App Association, *State of the App Economy 2016* (Jan. 2016), http://actonline.org/state-of-the-app-economy-2016/. Today, the app economy is a $120 billion ecosystem that is led by U.S. companies, of which over eighty percent are startups or small businesses. *Id.* As decreasing operational costs through the use of global computing resources, such as cloud-based services, have enabled a diversity of novel, patentable inventions, as well as innovative business models, hundreds of millions of Americans – and billions of people around the world – use apps in every facet of their lives, from education to finance to leisure activities and beyond.

Assuming a coherent legal framework for intellectual property disputes, the growth of this vital ecosystem is expected to continue: downloads in app stores in 2016 are projected to grow to $147.3 billion and by 2020 to reach $284.3 billion. D an Takahashi, *The App Economy Could Double to $101 Billion by 2020, Venture Beat* (Feb. 10, 2016), http://venturebeat.com/2016/02/10/the-app-economy-could-double-to-101b-by-2020-research-firm-says/. Already, data from 2016 demonstrates that the app economy's exponential growth continues. Dean Takahashi, *App Annie: Worldwide app downloads grew 15% and revenue soared 40% in 2016* (Jan. 17, 2017), http://venturebeat.com/2017/01/17/app-annie-worldwide-app-downloads-grew-15-and-revenue-soared-40-in-2016/?utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+venturebeat%2FSZYF+%28VentureBeat%29.

Intellectual property rights, including patents, provide the foundation for the growth and ingenuity of this society-altering economy. Patents allow small business innovators to protect the investment they make in innovation, attract venture capital, establish and maintain a competitive position in the marketplace, and level the playing field in dealings with established companies and competitors. Small businesses produced sixteen times more patents per employee than large patenting firms. An Analysis of Small Business Patents by Industry and Firm Size, http://archive.sba.gov/advo/research/rs335tot.pdf; Innovation in Small Businesses: Drivers of Change and Value Use www.sba.gov/sites/default/files/rs342tot_0.pdf.

The app-powered ecosystem's success, reliant on continued innovation and investment in connected devices and interfaces, will hinge on the sufficiency of the legal

frameworks that underlie them. Small business innovators highly value patents and seek to rely on the ability to protect their rights (whether in licensing or in litigation) within a predictable environment on which to base their decisions. As more and more devices throughout the consumer and enterprise spheres become connected to the internet – a phenomena commonly referred to as the Internet of Things – apps will likely remain the interface for communicating with these devices. Morgan Reed, Comments of ACT | The App Association to the National Telecommunications and Information Administration regarding The Benefits, Challenges, and Potential Roles for the Government in Fostering the Advancement of the Internet of Things, ACT | The App Association (June 2, 2016), http://actonline.org/wp-content/uploads/NTIA-Comments-on-IoT-Regulations.pdf.

Small business viability is directly correlated to the predictability of the judicial system when defending from patent infringement allegations, and duplicitous efforts by patent litigants to "forum shop" undercut this needed certainty. While large multi-national corporations can typically withstand the delays and expenses associated with being barraged by patent infringement lawsuits, the stakes could not be higher for small businesses. Small businesses in the high tech industry often find themselves accused of patent infringement in a district court far away from their place of business, and the App Association's members are no exception, often facing suits for alleged infringement in the most popular patent venues in the United States despite having no realistic connection to such districts. The vast majority of these small businesses have been "litigated to death," or forced to settle and sign non-disclosure agreements that prevent

them from sharing their experiences, though on their behalf the App Association can say with great certainty that, under the existing patent litigation system, even the prospect of facing one or more patent infringement trials as part of a litigation strategy, particularly in a remote or unexpected venue, can represent an "end of life" event. *E.g.*, Laura Lorek, Silicon Hills, *Patent Trolls Threaten to Bankrupt Companies and Stifle Innovation*, (May 30, 2013) http://www.siliconhillsnews.com/2013/05/30/patent-trolls-threaten-to-bankrupt-companies-and-stifle-innovation/ (noting one company estimating that ninety percent of its litigation costs are spent defending patent infringement allegations); see also https://static.newamerica.org/attachments/3894-patent-assertion-and-startup-innovation/Patent%20Assertion%20and%20Startup%20Innovation_updated.62ca39039688474e9a588fc7019b0dde.pdf (describing venue-shopping as a systemic and repeated issue for successful startups).

As a result of "forum selling" – efforts by district courts to attract patent litigants who have the ability to file in essentially any district in the United States – litigants find "forum shopping" (in particular, choosing to surprise a defendant by suing in a district other than where the defendant is headquartered) easier than ever. *See* Daniel Klerman & Greg Reilly, *Forum Selling*, 89 S. Cal. L. Rev. 241 (2016); J. Jonas Anderson, *Court Competition for Patent Cases*, 163 U. Pa. L. Rev. 631 (2015). While the App Association estimates that less than four percent of its membership is headquartered in the Eastern District of Texas, our members are constantly being haled into this court. Further, empirical analysis has demonstrated that two districts – the Eastern District of Texas and the District of Delaware – have emerged as clear "forum

selling" winners that increasingly attract "forum shoppers." *See* Anderson, *supra*, 163 U. Pa. L. Rev. at 632-33. For example, as recently as 2015, approximately fifty percent of all defendants named in patent infringement suits were in cases in the Eastern District of Texas, *see* GAO Report, *Patent Office Should Define Quality, Reassess Incentives and Improve Clarity*, 16 (June 2016), because it has created unique advantages to those who choose to initiate patent infringement suits in its court in areas including discovery deadlines, venue transfer decision processes, and claim construction requirements. *See* J. Jonas Anderson, Court Competition for Patent Cases, 163 U. PA. L. REV. 631 (2015); Daniel M. Klerman & Greg Reilly, Forum Selling, 89 S. CAL. L. REV. 241 (2016) (discussing phenomenon of "forum selling" in the Eastern District of Texas, including the indirect financial benefits of patent litigation for the local economy.). The use case of the Eastern District of Texas demonstrates (with data) that the federal court system's current approach to venue in patent litigation has provided a predictable advantage for patent litigation initiators. Brian J. Love & James C. Yoon, *Predictably Expensive: A Critical Look at Patent Litigation in the Eastern District of Texas, Stan. Tech. L. Rev.* ___ (forthcoming, 2016), http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2835799.

Due to the nature of the internet-enabled app economy and the very characteristics of the patent litigation system at issue before the Court, the App Association's small business members must now grapple with the possibility that they can be sued for patent infringement in any federal district court. The App Association believes that lawsuits are sometimes appropriate to resolve legitimate controversies and accepts that patent infringement

accusations are inevitable, but defendants must be able to face accusers in an appropriate venue.

As discussed below, the Federal Circuit's current approach to venue in the context of patent suits is akin to "universal venue," where any plaintiff may assert proper venue regardless of any connection of the defendant and/or controversy to that court. *See supra* at 11-13. Based on the experiences of our members, the App Association believes that such an approach harms the App Association's small business members through exposure to the high costs associated with litigating in districts in which they have little or no connection. And beyond the financial costs associated with such suits, these abusive practices undermine public confidence in the patent system – and the rule of law as a whole – in the United States.

II. THE FEDERAL CIRCUIT'S INTERPRETATION IS NOT CONSISTENT WITH CONGRESSIONAL INTENT OR THIS COURT'S CASE LAW

A. The Federal Circuit's Decision Disregards Fourco and Creates – In Effect – a "Universal" Approach to Patent Venue

Section 1400(b), enacted in 1948, clearly states "[a]ny civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business." 28 U.S.C. § 1400(b) (2016). Up until 1988, patent venue had long enjoyed a clear and consistent judicial approach favoring a "plain meaning" analysis of this statute. *See Fourco Glass Co.v. Transmirra Products Corp.*, 353 U.S. 222, 228 (1957).

Additionally, Section 1400(b) held exclusive dominion over patent litigation, unencumbered by Section 1391(c), titled "Venue generally," which describes corporate residence as "any judicial district in which it is ... licensed to do business or is doing business." 28 U.S.C. § 1391(c)(2). In *Fourco*, this Court held that Section 1400(b) "is the sole and exclusive provision controlling venue in patent infringement actions, and...is not to be supplemented by the provisions of 28 U.S.C. § 1391(c)." *See Fourco Glass Co*, 353 U.S. at 228. In addition, this Court in *Fourco* strongly favored the plain meaning construction of the venue statute. *See Fourco*, 353 U.S. at 228.

In 1988, Congress amended section 1391(c) by adding the prefatory clause "For the purposes of venue" to its first sentence. *See* 28 U.S.C. § 1391(c) (2016). Sometime after the 1988 amendment, patent holders started to question the effect this had on 1400(b). However, in 1989, one district court quickly dismissed the implication by holding "the recent amendment to § 1391(c) in no way indicates that an alteration was intended in the operation of § 1400(b)." *Doelcher Prods., Inc. v. Hydrofoil Int'l, Inc.*m 735 F. Supp. 666. 668 (D. Md. 1989). The court went on to say that nothing in legislative history of section 1391(c) suggests that Congress intended any effect on section 1400(b), favoring the plain meaning of the statute. *See id.*

The Federal Circuit has deviated from this longstanding interpretation in holding that *Fourco* no longer controls a patent venue determination because the 1988 change to 1391(c) required the Federal Circuit to reexamine the interplay of Section 1391(c) and Section 1400(b) "as a matter of first impression." *See VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1579

(Fed. Cir. 1990). The Federal Circuit went on to hold that that *Fourco* had been indirectly overruled and that the new 1391(c) both significantly enlarged Section 1400(b) to permit any defendant to be haled into court should any portion of the allegedly infringing activity occur within that district, despite a lack of any direct intent from Congress in the 1998 section 1391(c) reflecting anything like this. The Federal Circuit's deviation cannot be squared with *Fourco*.

The "forum shopping" discussed above has resulted from the Federal Circuit's adoption of a rule that essentially boils down to "universal venue." "Universal jurisdiction" generally describes a court asserting jurisdiction over particular controversies with complete disregard to that court's connection to the controversy. See http://www.harvardilj.org/wp-content/uploads/2011/04/HILJ_45-1_Kontorovich2.pdf. Traditionally, "universal jurisdiction" was used to address the crime of piracy on the seas. *See United States v. Layton*, 509 F. Supp. 212, 223 (N.D. Cal. 1981). Recently, its use has occurred in a number of foreign courts to confront alleged human rights offenses. See Comm. on Int'l Human Rights Law & Practice, Int'l L. Ass'n, Final Report on the Exercise of Universal Jurisdiction in Respect of Gross Human Rights Offences, at 26–28 (2000). While it is a term generally used in the context of international jurisdiction, "universal jurisdiction" provides a helpful analogy (particularly when considering established intent underlying the jurisdiction) to the dangers presented by the patent venue precedent the Federal Circuit's decision would create if endorsed by this Court. In an internet-enabled U.S. economy that allows global commerce in an instant at the touch of an app, upholding the Federal Circuit's decision would, in effect,

expose alleged patent infringers subject to "universal venue" within the U.S. federal court system – but without the necessary agreement preceding its creation or any indication of intent.

The App Association's members would be left wondering in which court they could *not* be sued for alleged patent infringement. For these small businesses, 1391(c) personal jurisdiction would make venue appropriate in every district court in the United States. Such an environment will encourage abusers of the patent system that this Court has noted it seeks to discourage, such as patent assertion entities (PAEs) to file frivolous patent lawsuits. *E.g.*, *Overstock.com, Inc. v. Furnace Brook, LLC*, 420 F.Supp.2d 1217 (2005) (concerning an internet merchant that sought declaration arguing that it was not infringing a patent for software that facilitated internet purchases. Patentee moved to dismiss for lack of personal jurisdiction.).

Worse, if upheld, the Federal Circuit's new precedent will directly contribute to creating new avenues for "forum shoppers" (such as PAEs and non-practicing entities [NPEs]) seeking to enjoy the option to file suit against alleged infringers in – effectively – any federal district court in the United States. Not only is this outcome bad public policy that undermines confidence in the American court system at large (and for patent controversies particularly), but such a change in the context of patent controversy venue would also constitute a foundational shift to the U.S. patent system as a whole.

The App Association believes such a change should only be made pursuant to the clear and express intent of Congress. In the case at bar, there is virtually nothing in the legislative history regarding amendments to 1391(c) or 1400(b) suggesting that Congress intended Section 1391(c) to influence the content within Section 1400(b). However, the Federal Circuit has taken it upon itself to speak for Congress where Congress has remained silent. Based on its ruling on this matter and the ruling in *VE Holding*, it has taken the legislative role out of Congress's hands by rewriting statutes. *See generally, In re TC Heartland*, No. 2016-105 (Fed. Cir. Apr. 29, 2016); *see also VE Holding*, 917 F.2d 1574. We urge this Court to agree that "[i]t is for Congress to determine if the present system of design and utility patents is ineffectual." *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 167-168 (1989).

B. The Federal Circuit Decision Erroneously Relies on Congressional Reports that do not Support its Reasoning

As its legal basis for this deviation, the Federal Circuit relied on the holding in *VE Holdings Corp. In re TC Heartland*, No. 2016-105, at 1341-42 (Fed. Cir. Apr. 29, 2016), stating that the relevant legislative history actually supports its assertion. *See id.* at 1343 (writing "Congressional reports repeatedly recognized *VE Holding* as the prevailing law."). However, Congress did not actually endorse this idea in any part of its record, but merely recognized that there is an anomalous opinion on the Federal Circuit level that it needs to cure. In 2015, the House Judiciary Committee cited in the Federal Circuit's ruling stated that "U.S. Court of Appeals for the Federal Circuit "reinterpreted" [Section 1400(b)] in a way that

robbed it of all effect [emphasis added]." H.R. Rep. 114-235. That same report went on to state, "Congress must correct the Federal Circuit's mistake, and clarify that patent lawsuits may only be brought in districts with some reasonable connection to the dispute." *See id.*

Despite this congressional record, the Federal Circuit in *VE Holdings* goes as far as to say "[t]hat there may be no specific legislative history regarding the [1988] amendment's effect on § 1400(b) does not modify this court's duty to employ the plain meaning of the language that the Congress adopted." *See VE Holdings*, 917 F.2d at 1581. Additionally, the Federal Circuit held that the "legislative history of the 1988 amendment reveals *no* legislative intent, let alone clearly expressed intent, contrary to the plain meaning of this first sentence of the amended statute." *See id.*

Ironically, the congressional reports on which the Federal Circuit relies, and goes as far as to cite, reference *VE Holding* as the justification for amending Section 1400(b) to ameliorate the harms derived from that decision's rogue interpretation. *See generally,* S.Rep. No. 110–259 (2008); *see* H.R. Rep. 114-235 (2015). Otherwise, a relationship between Section 1391(c) and 1400(b) is almost non-existent in this context. Those congressional reports go on to state that the inappropriate interpretation from *VE Holdings* (and judicial inaction) is begging for correction. One report noted that the Federal Circuit's interpretation consolidated the two-pronged jurisdictional requirements in patent litigation cases by only requiring the plaintiff to satisfy personal jurisdiction, instead of satisfying the second prong, which assesses venue as required under section 1400(b). *See* S.Rep. No. 110-259,

at 52-53. Thus, the Federal Circuit created a one-step process strongly favoring plaintiff litigants. *See id.*

C. The Federal Circuit's Decision Contradicts Well-Established Precedent Concerning Statutory Construction and Interpretation

In *Fourco*—a longstanding precedent governing over this statute, this Court reasoned that a strict interpretation of the statute was more appropriate than broadening Section 1400(b) to include Section 1391(c). *See Fourco*, at 227. This Court held that the legislative history did not support the Federal Circuit's rationale that Congress either expressly or implicitly intended the scope to be altered or augmented by Section 1390. *See id.* ("The change of arrangement, which placed portions of what was originally a single section in two separated [*sic*] sections cannot be regarded as altering the scope and purpose of the enactment. For it will not be inferred that Congress, in revising and consolidating the laws, intended to change their effect, unless such intention is clearly expressed."). The Court should not adopt a view contradicting such a well-established precedent.

In ruling on this matter, the Federal Circuit essentially violated a basic rule of statutory construction: a general statute does not alter, augment, or contradict a specific statute. *See Morton v. Mancari*, 417 U.S. 535, 550-51 (1974) (holding "[w]here there is no clear intention otherwise, a specific statute will not be controlled or nullified by a general one, regardless of the priority of enactment."). If the lower court is upheld, the Court runs the risk of upending a cornerstone of statutory interpretation – something the Federal Circuit has already eroded. Thus,

it is imperative for the Court to get this right, because of the broader implications that fall outside the influence of patent litigation. However, the immediate implications will adversely affect small businesses holding patents from extraordinary litigation costs over venue disputes.

CONCLUSION

We urge the Court to reverse the Federal Circuit's decision, consistent with the arguments above.

Respectfully submitted,

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RECORD AND BRIEFS

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IN THE

Supreme Court of the United States

TC HEARTLAND LLC D/B/A HEARTLAND FOOD PRODUCTS GROUP,

Petitioner,

v.

KRAFT FOODS GROUP BRAND LLC,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF AMERICAN BANKERS ASSOCIATION, THE CLEARING HOUSE PAYMENTS COMPANY L.L.C., FINANCIAL SERVICES ROUNDTABLE AND CONSUMER BANKERS ASSOCIATION AS *AMICI CURIAE* IN SUPPORT OF PETITIONER

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QUESTION PRESENTED

Whether 28 U.S.C. § 1400(b) is the sole and exclusive provision governing venue in patent infringement actions and is not to be supplemented by 28 U.S.C. § 1391(c).

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Rules

Supreme Court Rule 37 1

IDENTITY AND INTEREST OF *AMICI CURIAE*[1]

The American Bankers Association ("ABA") is the principal national trade association of the financial services industry in the United States. Founded in 1875, the ABA is the voice for the nation's $13 trillion banking industry and its million employees. ABA members are located in each of the fifty States and the District of Columbia, and include financial institutions of all sizes and types, both large and small. The ABA, whose members hold a substantial majority of domestic assets of the banking industry of the United States and are leaders in all forms of consumer financial services, often appears as *amicus curiae* in litigation that affects the banking industry.

The Clearing House is a banking association and payments company that is owned by the largest commercial banks and dates back to 1853. The Clearing House Payments Company L.L.C. owns and operates core payments system infrastructure in the United States and is currently working to modernize that infrastructure by building a new, ubiquitous, real-time payment system. The Payments Company is the only private-sector ACH and wire operator in the United States, clearing and

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1. Pursuant to Rule 37.6, counsel represents that he authored this brief in its entirety and that none of the parties or their counsel, nor any other person or entity other than the *amici*, made a monetary contribution intended to fund the preparation or submission of this brief. Pursuant to Rule 37.3(a), counsel represents that counsel of record received timely notice of the intent to file this brief and all parties have consented to the filing of this brief. Petitioner has filed with the Clerk of the Court a letter granting blanket consent to the filing of *amici* briefs; written consent of Petitioner and Respondent is being submitted contemporaneously with this brief.

settling nearly $2 trillion in U.S. dollar payments each day, representing half of all commercial ACH and wire volume. Its affiliate, The Clearing House Association L.L.C., is a nonpartisan organization that engages in research, analysis, advocacy and litigation focused on financial regulation that supports a safe, sound and competitive banking system.

The Financial Services Roundtable represents the largest integrated financial services companies providing banking, insurance, payment and investment products and services to the American consumer. Member companies participate through the Chief Executive Officer and other senior executives nominated by the CEO. FSR member companies provide fuel for America's economic engine, accounting for $92.7 trillion in managed assets, $1.2 trillion in revenue, and 2.3 million jobs.

Consumer Bankers Association ("CBA") is the only national financial trade group focused exclusively on retail banking and personal financial services-banking services geared toward consumers and small businesses. As the recognized voice on retail banking issues, CBA provides leadership, education, research, and federal representation for its members. CBA members include the nation's largest bank holding companies as well as regional and super-community banks that collectively hold two-thirds of the total assets of depository institutions.

Congress enacted a restrictive patent venue statute in response to uncertainty and abusive practices under the existing permissive venue regime. That was more than a century ago. Honoring this remedial purpose of the statute, this Court has consistently rejected

efforts to relax venue in patent suits against domestic companies. Specifically, it twice has interpreted a domestic corporation's residence—for venue purposes in a patent suit—to be *solely* its state of incorporation. *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222, 226 (1957); *Brunette Mach. Works, Ltd. v. Kockum Indus., Inc.*, 406 U.S. 706, 707 n.2 (1972). And twice the appeals court later disagreed.

Amici curiae have a strong economic interest in the resurrection of this restrictive interpretation. Their members and owners have faced numerous patent infringement suits in districts (i) where most *amici* members and owners are not incorporated and (ii) that are not the location of the underlying alleged infringing acts. More than 5% of companies targeted in suits by patent assertion entities are banks. *See* Stephen Joyce, *New Technologies Make Banks a Magnet for Patent Trolls*, Bloomberg BNA, Sept. 16, 2015, http://www.bna.com/new-technologies-banks-n17179936102/. Often, these suits lack merit but the cost of settling may be less than the cost of litigating until a ruling on the merits is issued. This burdens the defendant and can also allow patents to stand that should be invalidated. Applying the special venue statute's restriction on residence would be a step toward ending this serious problem in our nation's patent system.

SUMMARY OF ARGUMENT

This case can be decided without considering the public policies unique to patent law, under the principle that a judicial interpretation of a statute is "law." As such, the six-word subordination clause with which Congress

began the general venue statute—"except as otherwise provided by law"—defers to the special patent venue statute *as interpreted by this Court*. That interpretation therefore controls, meaning that a domestic corporation's "residence" for determining venue in a patent suit is *solely* its state of incorporation.

Public policies unique to patent law confirm the necessity and wisdom of this conclusion. Much of patent "law" cannot be found in the literal words of the Patent Act, but rather in this Court's interpretations thereof based in part on the core public policies embedded in our patent system. This is true of the "abstractness exclusion" to patent eligibility and the "doctrine of equivalents" in infringement determinations, for example. These same core public policies are just as important in interpreting where patent actions are adjudicated. Section III of the Argument below illustrates how the appeals court's rejection of this Court's restrictive interpretation of venue in patent actions has harmed core public policies of our patent system.

BACKGROUND

I. THE COURT HAS INTERPRETED TODAY'S SPECIAL PATENT VENUE STATUTE AND ITS PREDECESSOR AS EXCLUSIVELY CONTROLLING VENUE IN PATENT ACTIONS

The special patent venue statute, 28 U.S.C. § 1400(b), is unchanged since its enactment in 1948. As interpreted by the Court in 1957 and in 1972, this statute restricts patent suits against domestic corporations to two types of locations: (1) where the defendant resides, *i.e.*, is

incorporated, and (2) "where the defendant has committed acts of infringement and has a regular and established place of business." This case involves only the first prong.

The Court interpreted the statute's language "may be brought in the judicial district where the defendant resides" to "mean the state of incorporation only." *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222, 226 (1957); *accord Brunette Mach. Works, Ltd. v. Kockum Indus., Inc.*, 406 U.S. 706, 707 n.2 (1972). The Court also interpreted this special patent venue statute as controlling regardless of any broader general venue statute provisions. *Id.* The Court so interpreted today's special patent venue statute in view of the legislative history of the statute and its predecessor, including the legislation's twin goals of providing certainty and avoiding abuses under the broader venue provisions.

The Court relied in part on the legislative history of "§ 1400(b), as a special and specific venue statute applicable to [patent] litigation." *Fourco Glass Co.*, 353 U.S. at 223, 225-26. That legislative history expressly equated "resides" with "inhabits": "'Words 'inhabitant' and 'resident,' as respects venue, are synonymous.'" *Id.* at 226. "Inhabits" refers to "domicile" and a domestic corporation is domiciled only where it is incorporated. *Id.*

The Court also relied on its earlier interpretation of the predecessor special patent venue statute in *Stonite Prods. Co. v. Melvin Lloyd Co.*, 315 U.S. 561 (1942) (§ 48 of the Judicial Code, 28 U.S.C. § 109, is "the sole provision governing the venue of patent infringement litigation" and is not supplemented by the general venue statute). The *Stonite* Court looked to the reasons for enactment of

the predecessor special patent venue statute. *Id.* at 563. There were two. First, it "was intended to define the exact limits of venue in patent infringement suits" to remove the uncertainty caused by application of the general venue statute to patent actions. *Id.* at 565. Second, it "was a restrictive measure, limiting a prior, broader venue," in order to remedy the "abuses engendered by this extensive venue." *Id.* at 563, 566. Both reasons counseled reading the special venue statute as exclusively controlling venue in patent actions. *Id.* at 565-67.

The Court's interpretations of today's patent venue statute did *not* turn on language in the general venue statute. At the time of *Fourco*, the general venue statute, 28 U.S.C. § 1391, "regarded ... for venue purposes" corporate residency as having a much broader scope. *Fourco Glass Co.*, 353 U.S. at 223. Despite this broad statement of scope—"for venue purposes"—the Court held that this general venue statute did not govern or even supplement venue in patent actions, in light of "the reasons and purposes for, the adoption by Congress of the venue statute applying specifically to patent infringement suits." *Id.* at 225 (citing *Stonite*). The general venue statute was immaterial not because of language in that statute, but rather because of the language and reasons for enactment of the special patent venue statute.

II. THE APPEALS COURT TWICE HAS REFUSED TO FOLLOW THIS COURT'S INTERPRETATION OF TODAY'S SPECIAL PATENT VENUE STATUTE

As noted, the special patent venue statute has not changed since its interpretation by this Court in 1957

and 1972. Nor, of course, has its legislative history or that of its predecessor statute, revealing the Congressional purpose to remedy uncertainty and abuses caused by application of the general venue statute to patent cases. What has changed since 1957 is only the language of the general venue statute, which language was not a basis for this Court's restrictive interpretations of the special patent venue statute.

The first pertinent amendment of the general venue statute was in 1988, when Congress amended § 1391(c) to read that "[f]or purposes of venue under this chapter," a corporation "shall be deemed" to reside in any district where it is subject to personal jurisdiction. Thereafter, the Federal Circuit held that "[o]n its face, § 1391(c) clearly applies to § 1400(b), and thus redefines the meaning of the term 'resides' in that section." *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F. 2d 1574, 1578 (Fed. Cir. 1990). The appeals court thereby returned patent litigation to the broad-venue era which Congress had rejected to remedy uncertainty and abuse.

The second amendment was in 2011, when Congress added a subordination clause to the beginning of the general venue statute, stating that the statute governs in all civil actions "[e]xcept as otherwise provided by law." 28 U.S.C. § 1391(a). Despite this express subordination clause, the appeals court maintained its broad-venue position. It held that this subordination clause did not require deference to this Court's narrow interpretation of "resides" for purposes of the patent venue statute. *In re TC Heartland LLC*, 821 F.3d 1338, 1342-43 (Fed. Cir. 2016).

III. THE CONSEQUENCES OF BROAD VENUE IN PATENT CASES

The Federal Circuit's broad-venue position has led to extreme imbalance.

A. ABOUT 40% OF PATENT LAWSUITS ARE FILED IN A SINGLE DISTRICT

Today, about 40% of patent lawsuits are filed in a single district. That would be an astonishing statistic even if that district were a hub of technology, or of the financial industry, or of company incorporations. But this district preferred by patent plaintiffs is none of those. It is the Eastern District of Texas.

In 2015, reportedly 42% of patent actions filed in our nation were filed in the Eastern District of Texas: "This district alone accounts for 42% of all patent filings in 2015." MARGARET S. WILLIAMS ET AL., FEDERAL JUDICIAL CENTER, PATENT PILOT PROGRAM: FIVE-YEAR REPORT 17-18 (April 2016), http://www.fjc.gov/public/pdf.nsf/lookup/Patent-Pilot-Program-Five-Year-Report-2016.pdf/$file/Patent-Pilot-Program-Five-Year-Report-2016.pdf ("FJC Report"). In 2016, reportedly 36.4% of patent actions were filed in the Eastern District of Texas. Lex Machina Q4 Litigation Update, Patent Litigation (Jan. 12, 2017), https://lexmachina.com/q4-litigation-update/.

Patent litigation is not a natural source of popular comedic relief. Yet, this concentration of patent suits in a single district is so pronounced that it has been mocked on HBO. *See Last Week Tonight with John Oliver: Patents* (April 19, 2015), http://www.hbo.com/last-week-tonight-

with-john-oliver/episodes/02/34-april-19-2015/video/ep-34-clip-patents.html.

B. PLAINTIFFS' PREFERRED FORUM IS MORE THAN FOUR TIMES LESS LIKELY TO STAY AN ACTION PENDING PATENT OFFICE REVIEW

Five years ago, Congress recognized that many issued patents are invalid in whole or in part so it passed The Leahy-Smith America Invents Act, 35 U.S.C. §100 *et seq.*, to combat that and other problems. This Act established expedited trial procedures in the Patent Office to review the patentability of issued patents. The history of these Patent Office trials confirms Congress's premise. As of October 31, 2016, the Patent Office had completed 1,261 "inter partes review" trials since the Act, and in 1,058 of these trials it had held unpatentable some or all of the patent claims at issue. *See* U.S. PATENT AND TRADEMARK OFFICE, PATENT TRIAL AND APPEAL BOARD STATISTICS (Oct. 31, 2016), at 10, https://www.uspto.gov/sites/default/files/documents/aia_statistics_october2016.pdf. It also had completed 145 "covered business method" patent trials, and in 141 of these it had held unpatentable some or all patent claims at issue. *Id.* at 11.

Naturally, most petitions for Patent Office review of issued patents are made in response to being sued in court for infringement of the patent. Unless the court stays the infringement suit, two patent review proceedings proceed in parallel, raising costs for the parties. While Congress did not require trial courts to stay patent infringement actions pending such Patent Office trial review, such stays are commonly granted—except in the district patent plaintiffs choose about 40% of the time.

In patent suits filed by non-practicing entities, plaintiffs' preferred district reportedly is more than four times less likely to stay the action pending Patent Office review than the national average. Douglas B. Wentzel, *Stays Pending Inter Partes Review: Not In The Eastern District Of Texas*, 98 J. Pat. & Trademark Off. Soc'y 120, 137 (2016) (In cases filed by non-practicing entities, "[a]s of August 31, 2015, the grant rate for stays pending IPR in the Eastern District was just 15.6%–4.65 times less than the nationwide average of 72.5% . . . ."). The Federal Judicial Center has reported a similar imbalance in patent pilot courts: "The Eastern District of Texas, for example, represents 50% of the cases in the database, but only 20% of all stays for PTO or ITC review. The Northern District of California, on the other hand, represents 6% of the patent cases in the database, but 23% of the stays for PTO or ITC review." FJC Report at 18.

C. PLAINTIFFS' PREFERRED FORUM IS ABOUT 7 TIMES LESS LIKELY TO REACH JUDGMENT

The most obvious purpose of patent litigation is to enforce valid patents against infringement. Another important purpose is to invalidate improperly issued patents. That, of course, requires that the action reach judgment. Patent actions filed in patent plaintiffs' preferred district are less likely to reach judgment, as reported by the Federal Judicial Center. "[I]n the Eastern District of Texas a mere 1% of cases are terminated by judgment, whereas overall, cases resulting in judgment represent 7% of all terminations." FJC Report at 33 (addressing cases in "patent pilot" districts).

ARGUMENT

I. JUDICIAL INTERPRETATIONS ARE "LAW"

The correct answer in this case is provided by the principle that judicial interpretation of a statute itself constitutes "law." Specifically, this Court's interpretation of the word "resides" in the special patent venue statute, § 1400(b), which conflicts with what § 1391(c) "deem[s]" as corporate residency, is "law" within the scope of § 1391(a)'s subordination clause "except as otherwise provided by law." This Court need look no further than two of its most important and famous decisions to confirm that judicial interpretations of statutes are themselves "law."

In *Marbury v. Madison*, this Court famously held that "It is emphatically the province and duty of the Judicial Department to say what the law is. Those who apply the rule to particular cases must, of necessity, expound and interpret that rule. If two laws conflict with each other, the courts must decide on the operation of each." 5 U.S. 137, 177 (1803).

And in *Erie R. Co. v. Tompkins*, 304 U.S. 64 (1938), this Court held that "laws of the several states" in § 34 of the Federal Judiciary Acts of September 24, 1789[2] include not only "positive statutes of the state" but also "its unwritten law," i.e., the state's common law. *See also King v. Order of United Commercial Travelers of Am.*, 333 U.S. 153, 157 (1948) ("the Erie R. Co. case decided that 'laws,' in this context, include not only state statutes,

2. Known as the Rules of Decision Act, this statute is now 28 U.S.C. § 1652.

but also the unwritten law of a state as pronounced by its courts").

In other contexts, this Court also has included decisional law within the definition of "law." Regarding a statute that stated it applied in the absence of exceptions made in "national laws or regulations," this Court held: "The term law in our jurisprudence usually includes the rules of court decisions as well as legislative acts." *Warren v. United States*, 340 U.S. 523, 526 (1951). In construing the federal question jurisdictional statute, 28 U.S.C. § 1331, which applies to, among other actions, those "arising under the . . . laws . . . of the United States," this Court held that the word "laws" should have its "natural meaning," and thus concluded the statute "will support claims founded upon federal common law as well as those of a statutory origin." *Ill. v. City of Milwaukee, Wis.*, 406 U.S. 91, 100 (1972). And, when construing the phrase "a law of the United States," as used in the perjury statute, this Court held the phrase "is not limited to statutes, but includes as well Rules and Regulations which have been lawfully authorized and have a clear legislative base and *also decisional law*." *United States v. Hvass*, 355 U.S. 570, 575 (1958) (internal citations omitted) (emphasis added).

Finally, when Congress intends to limit what the term "law" includes, it does so expressly, as it has done in the habeas corpus statute, which provides that relief is not available from a claim adjudicated on the merits in state court unless the claim "resulted in a decision that was contrary to, or involved an unreasonable application of, *clearly established Federal law, as determined by the Supreme Court of the United States*." 28 U.S.C. § 2254(d)(1) (emphasis added).

Logic confirms these precedents. To disregard a statute's judicial interpretation when determining whether "law" "otherwise provides," would be unworkable. A statute has no meaning or force without first being interpreted. Even "plain meaning" is an interpretation. "X" is no more "law" when a statute says "X" than when it is silent but interpreted by this Court to mean "X."

Therefore, the Court can reconfirm *Stonite*, *Fourco* and *Brunette* without considering public policies unique to patent law, under the principle that a judicial interpretation of a statute is "law" to which Congress defers in its standard subordination clause "except as otherwise provided by law."

II. MUCH OF "PATENT LAW" CONSISTS OF JUDICIAL INTERPRETATION OF STATUTES, BASED IN PART ON CORE POLICIES OF PATENT LAW

Much of "patent law" consists of this Court's interpretations of the Patent Act, and many of those interpretations turned on consideration of core patent policies. This is true, for example, of the abstractness exclusion and the doctrine of equivalents.

The abstractness exclusion to patent eligibility is an example of this Court providing patent law via statutory interpretation based in part on consideration of our patent system's core policies. While 35 U.S.C. § 101 states that "any new and useful process, machine, manufacture, or composition of matter," may be patentable, this Court "has long held that this provision contains an important implicit exception" that excludes abstract ideas. *Mayo*

Collaborative Servs. v. Prometheus Labs., Inc., 132 S. Ct. 1289, 1293 (2012). This exclusion is grounded on the policy "concern that patent law not inhibit further discovery by improperly tying up the future use of these building blocks of human ingenuity." *Id.* at 1301.

The "law" of patent infringement likewise rests on this Court's interpretation of the statute, again influenced by core policies of our patent system. Despite the Patent Act's requirement that patents particularly point out and distinctly claim the invention to be protected, 35 U.S.C. § 112(b), this Court has interpreted "infringement" under 35 U.S.C. § 271 to include "equivalents" of the claimed invention outside the literal scope of the claims. *Graver Tank & Mfg. Co. v. Linde Air Prods. Co.*, 339 U.S. 605 (1950). The reason is to prevent "verbalism" from depriving an inventor "of the benefit of his invention [which] would foster concealment rather than disclosure of inventions, which is one of the primary purposes of the patent system." *Id.* at 607. In 2002, this Court held that the doctrine of equivalents is "settled law." *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 739 (2002).

III. CORE PURPOSES OF PATENT LAW ARE HARMED BY THE VENUE IMBALANCE THAT HAS RESULTED FROM EASY FORUM SHOPPING

The appeals court's broad-venue position has led to easy forum shopping and a massive imbalance in the distribution of patent suits in the United States. This in turn undermines at least two core purposes underlying our patent laws: (1) favoring strict post-issuance scrutiny

of government-granted patent monopolies, and (2) favoring efficient patent licensing and follow-on innovations. Consideration of core patent law policies in this venue context is not novel, as this Court did just that in *Stonite* and *Fourco*. *Amici* request the Court to take the same path again to reach the same conclusion again.

A. EASY FORUM SHOPPING UNDERMINES STRICT SCRUTINY OF GOVERNMENT-GRANTED MONOPOLIES

The Court long has viewed post-issuance scrutiny of patent monopolies as essential to our patent system. The "important public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain," led the Court to permit patent licensees to challenge validity because otherwise, "[i]f they are muzzled, the public may continually be required to pay tribute to would-be monopolists without need or justification." *Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969). Post-issuance scrutiny of patents is necessary not only to cancel invalid patents but also to restrict the scope and use of valid patents: "[o]nce the patent issues, it is strictly construed, it cannot be used to secure any monopoly beyond that contained in the patent, the patentee's control over the product when it leaves his hands is sharply limited, and the patent monopoly may not be used in disregard of the antitrust laws." *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 230 (1964) (citations omitted). For example, a patent owner "should not be . . . allowed to exact royalties for the use of an idea . . . that is beyond the scope of the patent monopoly granted." *Blonder-Tongue Labs., Inc.* v. *Univ. of Ill. Found.*, 402 U.S. 313, 349–350 (1971).

An efficient and fair patent litigation system promotes all of these public policies of our patent system. The Patent Act allows those accused of infringement to defend on the ground that the patent is invalid or unenforceable. It allows trial judges to construe patent claims, often more narrowly than the scope the patent owner had asserted in its enforcement efforts. Patent litigation identifies and cancels invalid patents, defeats overly broad assertions of patent scope, and penalizes misuse of patent monopolies—all serving the public interest. Conversely, easy forum shopping defeats each of these purposes.

Easy forum shopping often allows patent owners to choose the forum least likely in the nation to allow a speedy or low-cost determination of invalidity or non-infringement. For example, patent owners with questionable patents and/or unreasonable infringement assertions naturally will flock to the district least likely to stay a patent suit pending Patent Office review proceedings, least likely to grant an early motion to dismiss for patent invalidity, least likely to allow an early summary judgment motion of non-infringement or invalidity, and least likely to enter judgment of patent invalidity.

In sum, the heavy concentration of patent suits in a single preferred forum of patent plaintiffs does not merely disadvantage individual defendants. It undermines the public policy favoring strict scrutiny of issued patents.

Simple economics demonstrates that easy forum shopping especially shields the weakest patents from the necessary scrutiny. Patent owners with questionable patents or infringement allegations often seek and extract settlements under the cost of defense. *See, e.g.*, Ranganath

Sudarshan, *Nuisance-Value Patent Suits: An Economic Model and Proposal*, 25 Santa Clara Computer & High Tech. L.J. 159 (2009). This values the patent asset not on its legitimacy or contribution to the art but rather on avoiding the cost of proving that the asset is invalid or inapplicable. When the value of the asset is therefore directly derived from the amount of defense costs that will be incurred prior to a ruling on the merits, such patent owners rationally choose the forum that imposes the greatest costs to obtain a merits ruling. Consequently, patents that should promptly be invalidated or declared inapplicable to modern technology instead, by virtue of cost-of-defense settlements, survive to tax or cloud what ought to be in the public domain.

Today, perhaps the single greatest factor in the cost of defending a patent suit is the district court's willingness to stay the suit pending Patent Office review. A patent-infringement defendant can easily spend ten times more money defending itself in court than it spends in a Patent Office trial. Patent plaintiffs naturally are more likely to file suit in a district that is more than four times less likely to stay the expensive patent infringement action pending the inexpensive Patent Office trial.

This harm forum shopping causes to a core purpose of our patent system supports the statutory interpretation urged by Petitioner and *amici*, which interpretation restricts such forum shopping.

B. EASY FORUM SHOPPING UNDERMINES PATENT LICENSING, AND INNOVATION

Easy forum shopping also encourages a sue-first regime that promotes litigation over negotiation. This, of course, would be unwelcome in any area of law, but it is particularly antithetical to our patent system. Our patent system's promotion of innovation depends not only on motivating first innovators by issuing them patents but also on motivating subsequent innovators to invent around those issued patents. These dual engines of innovation fostered by our patent system depend on a well-functioning system of patent notices and licensing.

More specifically, issuing patents on true inventions can promote innovation partly by encouraging others to either further invent to avoid those patents (perhaps further advancing the arts) or to instead take a license to use the patented technology (rewarding the first innovator and spreading the benefits of the invention). Multiple Patent Act provisions further this purpose. For example, § 287 encourages patent applicants to give potential infringers actual notice of published patent applications, and § 112 mandates particular and distinct patent claims, in part to provide clear notice to follow-on innovators who want to innovate around a patent without risking suit.

Properly construed, the special patent venue statute's restriction on forum shopping also furthers this core purpose of the patent system. Without this statute, properly interpreted, patent owners often are free to choose virtually any forum of their liking, and become loath to provide pre-suit notice of infringement for fear that they might forfeit the forum of their choice, should the alleged

infringer respond with a declaratory judgment action in a different forum. But the calculus is different under the restrictive venue dictate of § 1400(b) limiting patent suits to districts where the defendant domestic corporation is incorporated or has an established place of business and has allegedly infringed. That venue restriction reduces the strategic forum-shopping disincentive to do what the patent system encourages—provide notice of the patent and alleged infringement and attempt to resolve the matter without litigation.

In sum, interpreting the patent venue statute to allow easy forum shopping defeats core purposes of our patent system.

CONCLUSION

This Court should again hold that the patent venue statute alone establishes where a domestic corporation may be sued for patent infringement.

Respectfully submitted.

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RECORD AND BRIEFS

No. 16-341

In the
Supreme Court of the United States

TC HEARTLAND, LLC D/B/A HEARTLAND FOOD PRODUCTS GROUP,
Petitioner,

v.

KRAFT FOODS GROUP BRANDS LLC,
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF THE AMERICAN BAR ASSOCIATION AS *AMICUS CURIAE* SUPPORTING PETITIONER

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QUESTION PRESENTED

Whether the patent venue statute, 28 U.S.C. § 1400(b), which provides that patent infringement actions "may be brought in the judicial district where the defendant resides[,]" is the sole and exclusive provision governing venue in patent infringement actions and is not to be supplemented by the statute governing "[v]enue generally," 28 U.S.C. § 1391, which has long contained a subsection (c) that, where applicable, deems a corporate entity to reside in multiple judicial districts.

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INTEREST OF AMICUS CURIAE[1]

The American Bar Association ("ABA") respectfully submits this brief as amicus curiae in support of the petitioner TC Heartland, LLC ("TC Heartland").

The ABA is the leading national organization of the legal profession, with more than 400,000 members from all 50 states, the District of Columbia and the U.S. territories. Membership is voluntary and includes attorneys in private practice, government service, corporate law departments and public interest organizations. ABA members include judges, legislators, law professors, law students and non-lawyer "associates" in related fields, and represent the full spectrum of public and private litigants.[2]

The ABA Section of Intellectual Property Law ("IPL Section"), which was established in 1894, is the world's oldest and largest organization of intellectual property professionals. The IPL Section has approximately 20,000 members, including attorneys who represent patent owners, accused infringers, and small

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[1] Pursuant to Rule 37.6, amicus curiae certifies that no counsel for a party authored this brief in whole or in part and that no person or entity, other than amicus, its members or its counsel, has made a monetary contribution to the preparation or submission of this brief. Sup. Ct. R. 37.6. Petitioner's and Respondent's written consent has been filed with the Clerk with this brief.

[2] Neither this brief nor the decision to file it should be interpreted to reflect the views of any judicial member of the American Bar Association. No inference should be drawn that any member of the Judicial Division Council has participated in the adoption or endorsement of the positions in this brief. This brief was not circulated to any member of the Judicial Division Council prior to filing.

corporations and universities and research institutions across a wide range of industries. The IPL Section promotes the development and improvement of intellectual property law and takes an active role in addressing proposed legislation, administrative rule changes and international initiatives regarding intellectual property. It also develops and presents resolutions to the ABA House of Delegates for adoption as ABA policy to foster necessary changes to the law. These policies provide a basis for the preparation of ABA amicus curiae briefs, which are filed primarily in this Court and the United States Court of Appeals for the Federal Circuit.[3] The IPL Section includes and represents attorneys on all sides of issues of intellectual property law, and its reliance on the expertise of its members to develop consensus positions within the ABA ensures its positions reflect those of the broader intellectual property community.

In August 2016, the ABA's House of Delegates adopted as the formal policy of the ABA the position that the American Bar Association supports an interpretation of the meaning of "resides" in the special patent venue statute, 28 U.S.C. § 1400(b), that does not adopt the definition of "resides" in the separate, general venue statute, 28 U.S.C. § 1391(c).[4] As explained below, the adoption of this policy reflected the ABA's

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[3] *See* ABA, Amicus Curiae Briefs, http://www.americanbar.org/amicus/1998-present.html (accessed Feb. 2, 2017).

[4] *See* ABA H.D. Res. 108C (2016), ***available at*** http://www.americanbar.org/content/dam/aba/images/abanews/2016%20Annual%20Resolutions/108c.pdf; *see also* ABA Sec. Intell. Prop. L., *Report 108C* (2016), ***available at*** http://www.americanbar.org/content/dam/aba/directories/policy/2016_hod_annual_108C.docx.

experience with the deleterious effects of the Federal Circuit's 1990 decision in *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990), which had concluded that patent suits could be brought in any district where venue was proper under Section 1391. That decision, ironically, had the effect of concentrating patent litigation in a very small number of judicial districts and exposed the patent system to charges (and perhaps the reality) of forum-shopping. Although the ABA had previously favored, as a matter of policy, an approach to patent venue that would have been similar to the holding of the Federal Circuit in *VE Holding*, more than two decades of experience with the Federal Circuit's rule caused the organization to revisit its position and adopt its current policy.

SUMMARY OF ARGUMENT

The special patent venue statute, 28 U.S.C. § 1400(b), is the sole and exclusive provision controlling venue in patent infringement actions, as this Court held in *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222 (1957). The Federal Circuit, relying on its decision in *VE Holding*, disregarded *Fourco*, and instead held that courts should determine the meaning of "resides" for patent infringement actions from the general civil venue statute, 28 U.S.C. § 1391.

The *VE Holding* court was wrong to incorporate the general venue statute into the special patent venue statute, and the Federal Circuit erred in repeating that mistake again here. The special patent venue statute has not changed since *Fourco*. The Federal Circuit's decisions ignore established canons of

interpretation that dictate that specific provisions govern over more general statutes. Section 1400(b) is clear and unambiguous; there is no justification for looking outside it to determine its meaning. And, if there is any doubt, the 2011 amendment to the general venue statute make clear that the general statute does not displace special venue rules under particular Federal statutes.

VE Holding has caused severe forum concentration in patent litigation. Nearly half of all patent cases are now filed in just two judicial districts. This has had numerous adverse effects on patent law and practice. It has deprived patent law of the diversity of viewpoints necessary for a healthy and robust common law. It has given disproportionate impact to the practices and decisions of a handful of district courts and district court judges. Most troublingly, the increase in forum shopping has undermined public confidence in the fundamental fairness of the patent system and the courts, and risks diminishing the credibility of the bar.

The ABA has always viewed the special patent venue statute as the exclusive provision governing patent venue. Decades ago the ABA advocated for broadening the patent venue statute to increase the flexibility for patentees bringing suit, assuming that venue transfer provisions would avoid unfairness to defendants and venue concentration. After *VE Holding*, that assumption proved to be incorrect. In spite of Federal Circuit orders requiring transfer as mandamus relief almost a decade ago, the availability of discretionary transfer has also done little to curb the venue concentration. The ABA has thus concluded

that the problems created by expanded patent venue are not self-correcting, and therefore urges this Court to restore the balance struck by Congress in enacting a special patent venue statute and reaffirm *Fourco*'s holding that § 1400(b) is the sole and exclusive provision governing venue in patent infringement cases.

ARGUMENT

I. THE SPECIAL PATENT VENUE STATUTE IS THE EXCLUSIVE PROVISION CONTROLLING VENUE IN PATENT INFRINGEMENT ACTIONS.

The special patent venue statute, 28 U.S.C. § 1400(b), provides:

> (b) Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.

The specific language presently at issue is the term "resides." Its meaning has not changed since this Court examined it in 1957, holding that "s[ection] 1400(b) is the sole and exclusive provision controlling venue in patent infringement actions, and that it is not to be supplemented by the provisions of 28 U.S.C. s.1391(c)." *Fourco*, 353 U.S. at 229. There, the Court observed that "resident" and "inhabitant" are "synonymous words [that] mean domicile, and, in respect of corporations, mean the state of incorporation only." *Fourco*, 353 U.S. at 226. Although § 1391(c) has

changed twice since *Fourco*, § 1400(b) has not changed at all in that time. Since *Fourco*, therefore, there has been no basis in Supreme Court precedent to look to § 1391(c) or any other external source to understand the meaning of "resides" in the special patent venue statute.

This is especially true given that § 1400(b) is a narrow, specialized statute and § 1391, in its current form, is a later-enacted statute covering the same subject matter more generally. "It is a basic principle of statutory construction that a statute dealing with a narrow, precise, and specific subject is not submerged by a later enacted statute covering a more generalized spectrum." *Radzanower v. Touche Ross & Co.*, 426 U.S. 148, 153 (1976). The Federal Circuit departed from these principles of statutory construction in *VE Holding*, and in the decision below. In both cases, the Federal Circuit looked to the language of the general civil venue statute to determine the meaning of "resides" in the special patent venue statute.

If indeed the rationale for the 1990 *VE Holding* decision was found in § 1391, as the Federal Circuit's opinion suggested, that rationale was eliminated by the 2011 amendments. Among other things, the 2011 amendments to § 1391 explicitly state that § 1391 applies only "[e]xcept as otherwise provided by law." *See* 28 U.S.C. § 1391(a), as amended by the Federal Courts Jurisdiction and Clarification Act of 2011, Pub. L. No. 112-63, § 202, 125 Stat. 758, 763 (2011). This amendment to Section 1391 makes clear that the general venue statute does not apply when a more specific provision applies. *See id.; accord* H.R. Rep.

No. 112-10, at 18 (2011) ("New paragraph 1391(a)(1) would follow current law in providing the general requirements for venue choices, but would not displace the special venue rules that govern under particular Federal statutes."). It therefore precludes imposing § 1391 onto the special patent venue statute.

II. THE ABA JOINS AS AMICUS BECAUSE THE FEDERAL CIRCUIT'S INCORRECT INTERPRETATION OF THE PATENT VENUE STATUTE IS ADVERSELY AFFECTING PATENT LAW AND PRACTICE.

A. Patent Litigation Has Become Concentrated in a Small Number of Federal District Courts.

Ironically, the Federal Circuit's broadened interpretation of the patent venue statute in *VE Holding* has led to a substantially narrower geographic distribution of patent cases throughout the country. In 2016, nearly half of all patent cases were filed in just two districts: the Eastern District of Texas and the District of Delaware.[5] The Eastern District of Texas received approximately 37% of new patent complaints, whereas the next four highest-volume districts combined received only 26% of patent cases.[6]

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[5] Ryan Davis, *New Patent Complaints Drop to Lowest Level Since 2011*, Law 360 (Jan. 12, 2017), *available at* https://www.law360.com/articles/880322/new-patent-complaints-drop-to-lowest-level-since-2011.

[6] Data from Lex Machina Legal Analytics, https://lexmachina.com/legal-analytics (accessed Jan. 27, 2017). The District of

The 2016 filings are not an aberration. Between 2013 and early 2017, there were 7170 patent cases in the Eastern District of Texas, as compared to 3300 in the District of Delaware, 1351 in the Central District of California, and 894 in the District of New Jersey.[7]

This concentration of cases bears no relation to the defendants' places of incorporation or principal places of business. According to a recent study, only 14% of patent cases were filed in the defendant's principal place of business,[8] only 15% were filed in the defendant's district of incorporation,[9] and if venue were restricted to "where a defendant resides or has an established place of business," as contemplated by the patent venue statute, then "about 58% of the 2015

Delaware received 10%, the Central District of California 6%, the Northern District of Illinois 5%, and the Northern District of California 4%; *see also* Unified Patents, 2016 Annual Patent Dispute Report (Jan. 1, 2017), *available at https://www.unifiedpatents.com/news/2016/12/28/2016-annual-patent-dispute-report.*

[7] Lex Machina, *supra* note 6, (accessed Jan. 15, 2017). The number of cases concentrated in the Eastern District of Texas has grown over the past decade, in part because of changes to the joinder rules in the 2011 America Invents Act from 369 in 2007, 291 in 2008, 235 in 2009, 285 in 2010, 417 in 2011, 1251 in 2012, 1496 in 2013, 1427 in 2014, 2541 in 2015, 1661 in 2016.

[8] Colleen V. Chien and Michael Risch, *Recalibrating Patent Venue*, Santa Clara Univ. Legal Studies Research Paper No. 10-1, Villanova Law/Public Policy Research Paper No. 2016-1029, at 31 (Oct. 6, 2016), *available at* https://ssrn.com/abstract=2834130.

[9] *Id.*

cases... would have had to [have] been filed in a different venue."[10]

B. The Concentration of Patent Litigation Is Deleteriously Affecting Law and Practice.

The concentration of cases in particular districts reduces the diversity of viewpoints contributing to patent jurisprudence at the trial level. As commentators have recognized, "the patent code, much like the Sherman Act, is a common law enabling statute, leaving ample room for courts to fill in the interstices.... Indeed, the common law has been the dominant legal force in the development of U.S. patent law for over two hundred years."[11] District courts play a substantial role in that development. One observer has noted that "district courts are the only judicial actor involved in nearly all patent cases."[12] Even for the few cases that are appealed, the district courts serve as the Federal Circuit's "eyes and ears... placing a case's facts in the context of a larger legal and economic picture in the first instance" and act as "patent laboratories."[13] Much as this Court depends on the courts of appeals for the percolation of issues of federal law, the Federal Circuit depends on the district court to artic-

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[10] *Id.* at 6.

[11] Craig Allen Nard, *Legal Forms and the Common Law of Patents*, 90 B.U. L. Rev. 51, 53 (2010).

[12] Jeanne C. Fromer, *District Courts as Patent Laboratories*, 1 U.C. Irvine L. Rev. 307, 312-313 (2011).

[13] *Id.*

ulate principles of patent law before the Federal circuit undertakes its task of adopting nationally uniform constructions.

Yet, most patent cases are now heard by a small subset of the 589 sitting federal district court judges.[14] In 2016, 25% of all patent cases were assigned to just one district judge in the Eastern District of Texas.[15] Almost half of all patent cases were assigned to just seven judges (three from the Eastern District of Texas, and four from the District of Delaware); that is, 48% of all patent cases were assigned to less than 2% of sitting district court judges.[16] The concentration of patent cases in this small group of trial judges is thus even greater than the concentration of patent cases at the appellate level, where the 12 judges of the Court of Appeals for the Federal Circuit represent approximately 6% of all active U.S. Circuit Court judges. In fact, the trial judges in the Eastern District of Texas and the District of Delaware actually hear nearly four times more patent cases than the entire Federal Circuit.[17] This is particularly

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[14] Lex Machina, *supra* note 6, (accessed Jan. 19, 2017). In the period between 2013 and early 2017, two judges in the Eastern District of Texas received 4806 and 1648 patent cases, respectively; in Delaware, three judges received 950, 922, and 911 cases, respectively.

[15] *Id.*

[16] *Id.*

[17] Compare the 527 district court patent infringement appeals filed in the Federal Circuit in 2016, *see* United States Court of Appeals for the Federal Circuit, *Filings of Patent Infringement Appeals from the U.S. District Courts*, *available at* http://www.cafc.uscourts.gov/sites/default/files/the-court/statistics/FY16_Caseload_Patent_Infringement_2.pdf, with the 2116

anomalous given that Congress deliberately chose to assign jurisdiction of all patent appeals to the Federal Circuit but Congress did not make that decision with respect to the concentration of cases at the trial court level that now exists.

Scholars attribute the concentration of patent cases to forum shopping, and acknowledge that this concentration is detrimental to the practice of patent law and to the bar as a whole.[18] In a landmark study on venue, Professor Kimberly Moore (now Federal Circuit Judge Moore) noted that "[f]orum shopping conjures negative images of a manipulable legal system in which justice is not imparted fairly or predictably." *See* Kimberley A. Moore, *Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation?* 83 J. Pat & Trademark Off. Soc'y 558 (Aug. 2001); Kimberly A. Moore, *Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation?* 79 N.C.L. Rev. 889 (2001). The perception that venue concentration stems from forum shopping erodes trust in the legal system, affects the credibility of the patent bar, and undermines public confidence in the patent system.

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patent cases before judges in the Eastern District of Texas and District of Delaware in 2016, *see* Lex Machina, *supra* note 6, (accessed Jan. 28, 2017).

[18] *See, e.g.*, J. Jonas Anderson, *Court Competition for Patent Cases*, 163 U. Pa. L. Rev. 631 (2015); Daniel Klerman & Greg Reilly, *Forum Selling*, 89 S.Cal. L Rev. 241 (2016); Yan Leychskis: *Of Fire Ants and Claim Construction: An Empirical Study of the Meteoric Rise of the Eastern District of Texas as a Preeminent Forum for Patent Litigation*, 9 Yale J.L. Tech. 193 (2007).

In the ABA's experience, there is reason to believe that the Federal Circuit's rule has encouraged forum shopping and, as a result, has led to certain local procedural rules and case management practices in particular districts having a distorting influence on the patent system as a whole.

Certain jurisdictions have created local rules governing the timetable for discovery or the procedure for seeking summary judgment in patent cases. In these districts, parties must produce discovery immediately under the local rules rather than only upon the request of the other party.[19] Furthermore, parties must request permission to seek summary judgment, for dispositive issues such as invalidity and non-infringement, which could advance judicial economy, whereas such motions can be filed routinely as a matter of right in other districts.[20] Such local procedural rules have a substantive impact on the ultimate disposition of cases that would not be seen in other judicial districts. For instance, parties who would be required to produce a far greater number of documents than their adversary, without the possibility of an early dispositive motion, may be forced to settle rather than incur the enormous expenses that discovery can entail.[21]

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[19] *See* Klerman & Reilly, *supra* note 18, at 268 (discussing how, under this rule, parties must complete costly document collection and production within a few months of the case filing).

[20] *Id.* at 252.

[21] *See* Anderson, *supra* note 18, at 667 (noting that "a judge's decision on the length of time for or scope of the discovery process can be as important as a decision on a legal issue.").

Other case management differences between districts also have influenced the practice of patent law. Scholars have demonstrated that availability of summary judgment or venue transfer may vary by district. One study found that judges in one popular district granted summary judgment motions at a rate of less than a quarter of the rate of judges in other districts.[22] Other scholars have noted that transfer may be less available in certain districts than others.[23] The Federal Rules of Civil Procedure, however, are intended to govern in all judicial districts, and while there will inevitably be variations in the way district judges apply them, a system in which almost half of all patent cases are resolved under the atypical practices of two judicial districts has little to recommend it.

C. The ABA has Concluded it is Necessary to Adopt a Policy that Reduces Forum Concentration in Patent Litigation.

The ABA's position on patent venue policy has evolved in response to the continued concentration of patent cases. In the 1970s, the ABA supported amendments to the patent statute that would have defined corporate residence to be any judicial district in which the corporation was "doing business" because of concerns that the statute could unduly shield corporate infringers.[24] At the time, the ABA believed

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[22] Klerman & Reilly, *supra* note 18, at 250.

[23] *Id.* at 259-263; *see also* Anderson, *supra* note 18, at 674-675.

[24] Albin H. Gess, *Desirability of Initiating Patent Litigation Wherever a Defendant Is Found*, 1974 ABA Sec. Pat. Trademark

that the availability of discretionary transfer under 28 U.S.C. § 1404 could prevent any unfairness to the defendant from unrestricted venue.[25] The ABA held this view until after *VE Holding* interpreted § 1400 to include § 1391(c), when the ABA began to experience the practical effects of such a broad application of the statute on patent litigation. The ABA changed its view on patent venue in 1998, and archived its previous policy position advocating expanding the patent venue statute.

For several years, the ABA's Intellectual Property Law Section continued to monitor whether discretionary transfer under 28 U.S.C. § 1404 would correct the issue of forum concentration in patent cases. Indeed, there were signs of self-correction. In 2008, the Federal Circuit granted a petition for a writ of mandamus, and directed the Eastern District of Texas to transfer a patent infringement case to the Southern District of Ohio.[26] In light of this decision, the Intellectual Property Law Section continued to monitor pa-

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and Copyright L. 114, 115. The author described the statute as a "historical accident" because the predecessor statute for the special venue statute was enacted before the transfer statute was available.

[25] *Id.* at 116 (explaining that "extending the patent venue statute... would place back within the discretion of the court, by reason of 28 USC §1404 (a), the decision as to which forum is the most fair to both litigation parties in the circumstances of the particular litigation.").

[26] *See In re TS Tech United States Corp.*, 551 F.3d 1315 (Fed. Cir. 2008).

tent concentrations, to allow the anticipated self-correction to occur.[27] However, as the concentration of cases continued and deepened,[28] the ABA ultimately concluded that a formal change in policy position was necessary.

While the ABA has consistently read the patent venue statute to be the exclusive provision governing patent venue, the ABA's position on patent venue policy has evolved as a result of 26 years of seeing the effects of expanded interpretation of the patent venue statute – including the resulting concentration of patent cases at the district court level – and the failure of efforts to curtail the concentration. In 2016, the ABA passed a formal policy codifying its longstanding interpretation of the patent venue statute as not including the definition of "resides" in the general venue statute.[29] The ABA urges the Court to affirm that the interpretation given to § 1400 in *Fourco* continues to apply to patent cases despite minor changes to the

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[27] ABA Sec. Intell. Prop. L., *A Section White Paper: Agenda for 21st Century Patent Reform*, 39 (Sept. 2010), *available at* http://www.americanbar.org/content/dam/aba/administrative/intellectual_property_law/advocacy/white_paper_sept_2010_revision.authcheckdam.pdf. The ABA's white paper discussed the *TS Tech* decision and stated that proposals to change the patent laws were "unnecessary because the alleged problem to which they are directed will likely be self-correcting and of limited duration. Indeed, the Eastern District of Texas reportedly has begun to transfer cases to other districts, and the concentration of patent cases in that district is not likely to continue."

[28] *See* Klerman & Reilly, *supra* note 18, at 261 (The transfer rate in the Eastern District of Texas "decreased after TS Tech, from 9% in 2000-2008 to 5% in 2009-the first half of 2015.").

[29] *See* ABA H.D. Res. 108C, *supra* note 4, at 1.

general venue statute. This conclusion would reduce the perceived unfettered forum shopping for which the patent system has been criticized.

CONCLUSION

For the foregoing reasons, the ABA respectfully requests that the Court reverse the Federal Circuit's holding below.

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RECORD AND BRIEFS

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Supreme Court of the United States

TC HEARTLAND LLC

Petitioner,

v.

KRAFT FOODS GROUP BRANDS LLC

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF AMICUS CURIAE AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF NEITHER PARTY

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QUESTION PRESENTED

Whether the patent venue statute, 28 U.S.C. § 1400(b), is the sole venue provision for patent cases and does not take into consideration the definition of "reside" set forth in the general venue statute, 28 U.S.C. § 1391(c), and the specifically applicable phrases "For all venue purposes," and "except as otherwise provided by law."

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INTEREST OF AMICUS CURIAE

The American Intellectual Property Law Association ("AIPLA") is a national bar association of approximately 14,000 members who are primarily lawyers engaged in private and corporate practice, in government service, and in the academic community. AIPLA's members represent a wide and diverse spectrum of individuals, companies, and institutions involved directly and indirectly in the practice of patent, trademark, copyright, trade secret, and unfair competition law as well as other fields of law affecting intellectual property. Our members represent both owners and users of intellectual property. Our mission includes helping establish and maintain fair and effective laws and policies that stimulate and reward invention while balancing the public's inter-est in healthy competition, reasonable costs, and basic fairness.[1]

AIPLA has no stake in the parties to this litigation or in the result of this case, other than its interest in

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[1] In accordance with Supreme Court Rule 37.6, AIPLA states that this brief was not authored, in whole or in part, by counsel to a party, and that no monetary contribution to the preparation or submission of this brief was made by any person or entity other than AIPLA and its counsel. Specifically, after reasonable investigation, AIPLA believes that (i) no member of its Board or Amicus Committee who voted to file this brief, or any attorney in the law firm or corporation of such a member, represents a party to the litigation in this matter, (ii) no representative of any party to this litigation participated in the authorship of this brief, and (iii) no one other than AIPLA, or its members who authored this brief and their law firms or employers, made a monetary contribution to the preparation or submission of this brief.

the correct and consistent interpretation of the laws affecting intellectual property.[2]

SUMMARY OF ARGUMENT

With the 1988 Amendments to Chapter 87 of Title 28, Congress sought to harmonize the meaning of corporate "resident" in the various venue statutes. The number of corporate actions had increased across different venues, and the harmonization was intended to bring corporate patent venue in line generally with other corporate venue requirements. Indeed, the patent venue statute was seen as lagging behind other venue statutes. In 1988, Congress changed the general venue statute at 28 U.S.C. § 1391(c) from a substantive provision to a definitional section defining corporate "Residency" and explicitly done "[f]or the purposes of venue ***under this chapter***." 28 U.S.C. §1391(c) (emphasis added).

Two years later, the Federal Circuit properly interpreted the venue provisions of the 1988 Amendments to construe "resides" in the patent venue statute, 28 U.S.C. § 1400(b), consistently with the rest of the venue provisions. *VE Holdings Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990). The Federal Circuit held that the phrase "[f]or purposes of venue under this chapter" in section 1391(c) required application of that statute to the patent venue statute at section 1400 because it was found in

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[2] Pursuant to Supreme Court Rule 37.3(a), AIPLA has obtained the consent of the parties to file this amicus brief. Petitioner has given a blanket consent in a letter filed with the Court, and Respondent has consented in an email addressed directly to AIPLA.

the same chapter. That decision, which is the authority for the decision on review, gave the correct interpretation of the venue provisions.

The Federal Circuit's decision in this case considered 2011 amendments to section 1391 that deleted the phrase "[f]or purposes of venue under this chapter," added the phrase "[f]or all venue purposes," and added the phrase "[e]xcept as otherwise provided by law." It rejected the argument that that these amendments returned the law to the rule under *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222 (1957), that section 1400 is not supplemented by section 1391. This Court should affirm the decision below and confirm that the *VE Holdings* decision provided the correct interpretation of the venue provisions.

Cloaked in a strained argument about venue, Petitioner's concerns about forum shopping are the result of a perfect storm: changes in the law, court procedures, and market behavior. This complaint is no basis to reverse Federal Circuit precedent grounded in the statute and well-settled in practice. Increased forum-shopping in patent cases is the result of unanticipated changes in the federal court system, which created plaintiff opportunities in district courts that were perceived as "patent friendly." Many district courts promulgated local patent rules that favored the types of litigants they wanted to attract. Additionally, in 2011, the President signed the Patent Pilot Program, providing training in patent litigation for the judges of participating districts.[3] In this context, a

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[3] Pub. L. No. 111-349, 124 Stat. 3674 (2011) (codified at 28 U.S.C. § 137 note (2012)).

non-practicing entity business model developed that resulted in a rise in litigation that was driven by forum shopping.

AIPLA agrees with Petitioner that forum shopping in patent litigation should be minimized; however, a return to the patent venue doctrine under *Fourco* is not the answer. Patent law has benefitted from decisions across the breadth of the federal judiciary. A return to the *Fourco* rule could have significant unintended consequences: further consolidation of patent cases in the preferred patent districts (*i.e.*, those where certain types of companies generally are found). Examples could include New Jersey for pharmaceutical cases, the Northern District of California for technology cases, and Delaware, the most common state of incorporation, for patents cases generally.

Any patent venue reform must be more nuanced than the binary question presented by Petitioner. Reform must take into consideration the different landscape for patent infringement litigation today, take advantage of the development of patent law over the past three decades, and provide appropriate compromises to continue such development. Some in Congress have recognized that reform of the patent venue statute may be needed, and introduced bills in both the House and the Senate during the prior congressional term. Statutory amendments would allow Congress to strike a delicate balance in the interests of patent owners and accused infringers. By contrast, the solution which Petitioner has offered to this Court is necessarily a blunt instrument.

For these reasons, AIPLA urges this Court to affirm the Federal Circuit's decision below and avoid

engaging in policy-making through a strained interpretation of the current law.

ARGUMENT

I. CONGRESS INTENDED TO HARMONIZE THE MEANING OF "RESIDENT" IN THE GENERAL VENUE STATUTE AND THE PATENT VENUE STATUTE

The Federal Circuit's decisions in both *VE Holding* and the decision below are correct interpretations of the patent venue statute. As stated in those decisions, the definition of "Residency" found in the general venue statute, 28 U.S.C. § 1391(c), "applie[s] to 'resides' in patent venue statute, 28 U.S.C. § 1400(b)." *VE Holding*, 917 F.2d at 1578; *In re TC Heartland LLC*, 821 F.3d 1338, 1341 (Fed. Cir. 2016). In addition to the statutory construction arguments presented by Respondent Heartland, the reasons for the changes show that Congress intentionally made the amendments to bring the various corporate venue statutes in line.

A. Prior To 1988, The Patent Venue Statute Was More Restrictive Than General Venue Provisions

Prior to the 1988 Amendments, venue was proper in a patent action only in the district in which the defendant was an inhabitant or in any district in which the defendant had committed acts of infringement and has a regular and established place of business. *See* 28 U.S.C. § 1400(b) (1948); *see also Fourco* 353

U.S. at 225. By the mid-1960s the general venue provision also allowed a lawsuit against a corporate defendant in a jurisdiction where it is "doing business" or "where the claim arose." *See, e.g.*, 28 U.S.C. § 1391(c) (1966). While the general venue provisions were broadened over time, the patent venue provision did not change. By 1966, this Court recognized that "changes in the general venue law have left the patent venue statute far behind." *Brunette Mach. Works, Ltd. v. Kockum Indus., Inc.*, 406 U.S. 706, 713, n. 13. (1966).

The proposal that led to the 1988 amendments of section 1391(c) included the "for purposes of this chapter" language in the definition of corporate residence to provide a basis for that provision to be applied to venue statutes enacted in various substantive federal laws. *See* Edward H. Cooper, *Memoranda on Venue and Changes to 28 U.S.C. § 1391(c)*, 39 Pat., Trademark & Copyright J. 435, 439 (1990). The 1988 changes thus were intended to apply specifically to the venue provisions of Chapter 87 of Title 28.

B. The 2011 Legislative History Confirms A Plain Meaning Interpretation

In 2011, Congress revised the federal venue law again, but it did not return patent venue to the unduly restrictive interpretation under *Fourco*. Instead, Congress further standardized the several venue statutes by clarifying that the definition of "residency" provided in 28 U.S.C. § 1391(c) would apply "for all venue purposes." 28 U.S.C. § 1391(c) (2011).

The legislative history to the 2011 Amendments confirms Congress's intent:

> Venue Rule Applicable Universally (Proposed §1391(c)):
>
> Under section 202 of the bill, *proposed section 1391(c) would apply to all venue statutes*, including venue provisions that appear elsewhere in the United States Code.

H.R. Rep. 112-10, 20 (2011) (emphasis added).

The 2011 Amendments were enacted during the same Congress as the Leahy-Smith America Invents Act ("AIA"), Pub. L. No. 112-29, 125 Stat. 284 *through* 125 Stat. 341 (2011). With the AIA, Congress sought to limit the perceived abuse of the district court system by non-practicing patent entities ("NPEs"), many of which frequently chose the Eastern District of Texas to litigate. For example, the AIA raised the standard for party joinder, 35 U.S.C. § 299, partly to prevent unscrupulous patent owners from inflating defendant litigation costs with joinder motions in order to demand artificially high settlements.

The AIA also created the special validity review court in the Patent Office, the Patent Trial and Appeal Board ("PTAB"), to allow patent validity to be determined more efficiently using a lower standard of review by a specialized administrative tribunal, rather than a court. *See, e.g.*, 35 U.S.C. §§ 311-329. These and other substantive changes go a long way to curtail alleged abuses of the court system by patentees.

C. Interpreting Section 1400(b) Without Applying the Definition From Section 1391(c) Would Lead To Nonsensical Results

Petitioner's proposed interpretation of section 1400(b) is inconsistent with the approach taken with respect to other special venue provisions, and risks upending all special venue provisions.

There are numerous special venue provisions throughout the U.S. Code, and these have been interpreted in a manner consistent with the general venue provisions of section 1391. For example, in antitrust cases, the courts have read section 1391 into the specific venue provisions at 15 U.S.C. § 22. *See, e.g., Delong Equip. Co. v. Washington Mills Abrasive Co.*, 840 F. 2d 843, 855 (11th Cir. 1988) ("In a federal antitrust case, venue may be established under [sections 22], or the general federal venue statute, 28 U.S.C. § 1391(b)."). Interpreting the specific venue provisions of the patent laws in the same way as the specific venue provisions of the antitrust laws removes the stilted interpretation offered by Petitioner, and accords with the plain meaning of both the patent venue statute, section 1400(b), and the general venue provisions, section 1391(c).

Similarly, in 1972, the Court interpreted then section 1391(d), providing that "[a]n alien may be sued in any district," to apply to patent cases, in addition to the patent venue statute, section 1400(b). 28 U.S.C. § 1391(d); *see Brunette Mach. Works*, 406 U.S. at 714. The Court held that section 1391(d) has a "broad and overriding application" that could not be

confined to cases that otherwise fall under the general venue statute. *Id.*

Although Petitioner argues that section 1400(b) is now the sole and exclusive provision governing venue in patent infringement actions, it does not explain why subsection 1391(c)(2), the general corporate venue statute, does not apply to section 1400(b), but section 1391(c)(3), the general non-U.S. resident venue statute, does. Both fall under section 1391(c) "Residency. – ***For all venue purposes*** –." 28 U.S.C. § 1391(c) (emphasis added); ***but see Brunette Mach. Works***, 406 U.S. at 714 (interpreting section 1391(c)(3)'s predecessor). In today's global environment, it makes no sense to allow foreign corporations to evade U.S. jurisdiction and infringe U.S. patents without proper venue in the U.S. district courts for recourse.

Finally, Petitioner's argument could have a profound impact on venue in copyright cases. Section 1400(a), the copyright venue statute, provides:

> Civil actions, suits, or proceedings arising under any Act of Congress relating to copyrights or exclusive rights in mask works or designs may be instituted in the district in which the defendant or his agent ***resides or may be found***.

28 U.S.C. § 1400(a) (emphasis added). In copyright cases, many circuits hold that a corporate defendant "may be found" in any district in which it is subject to personal jurisdiction. *See, e.g., Brayton Purcell LLP v. Recordon & Recordon*, 606 F.3d 1124, 1128 (9th Cir. 2010) (affirming that "[t]he Ninth Circuit interprets this statutory provision to allow venue 'in any

judicial district in which the defendant would be amenable to personal jurisdiction if the district were a separate state.' "); *Milwaukee Concrete Studios, Ltd. v. Fjeld Mfg. Co.*, 8 F. 3d 441, 446 (7th Cir. 1993) (holding that "section 1400(a) itself requires that a defendant be found in particular judicial district, rather than merely in the state in which the district court sits."); *see also Time, Inc. v. Manning*, 366 F.2d 690, 695 (5th Cir. 1966) (interpreting the prior version of section 1391(c), and stating "it would indeed be anomalous to hold that a corporate defendant sufficiently present in a district to meet the residence requirements, as defined by § 1391(c), for general federal question venue is not sufficiently there to meet the less restrictive standard than § 1400(a)"); *Editorial Musical Latino Americana v. Mar Int'l. Records, Inc.*, 829 F. Supp. 62, 66 (S.D.N.Y. 1993) (holding that "[i]t is well-established that a defendant 'may be found' in any district in which he is subject to personal jurisdiction; thus venue and jurisdiction are coextensive."); *but see Nu Image, Inc. v. Does 1-23,322*, 799 F. Supp. 2d 34, 37 (D.D.C. 2011) (holding that "[w]hen copyright infringement is the sole claim being alleged, it is misleading, and arguably disingenuous to assert that venue may be proper under 1391(b), the general venue statute, when section 1400(a) is the exclusive venue statute for copyright actions.").

Interpreting "resides" in section 1400(a) in the same manner as Petitioner proposes for section 1400(b) could significantly limit the venue options for a copyright plaintiff as well as a patent plaintiff. Petitioner offers no reason why "resides" in section 1400(a) and (b) should be interpreted differently.

Many times, defendants in copyright cases are internet companies that have one place of business but that are allegedly committing copyright infringement in almost every state. *See, e.g., Am. Broadcasting Co. v. Aereo, Inc.*, 134 S.Ct. 2498 (2014); *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005). For example, online infringement actions or actions involving the distribution of infringing publications would create a challenging venue environment because neither the defendant nor its agent is "found" in a particular district. *See, e.g., Editorial Musical*, 829 F. Supp. at 64, 66. Requiring a copyright holder to chase a defendant to his one locale even though defendant committed copyright infringement in many jurisdictions does not comport with the federal venue provisions and the standardizing purpose of the 1988 and 2011 Amendments. *See, e.g.*, H.R. Rep. 112-10, 20 (interpreting the 2011 Amendments).

In sum, Petitioner's strained statutory interpretation arguments would not only flout Congressional intent with respect to patent venue, if accepted by this Court, they could have widespread unintended consequences for any area of law currently governed by a specific venue provision.

D. Petitioner's Arguments About Section 1391's Provision "Except As Otherwise Provided By Law" Run Counter To Established Balance of Powers

Petitioner incorrectly asserts that the phrase in section 1391(a), "Except as otherwise provided by law," incorporates the Supreme Court *Fourco* decision interpreting the 1948 law. Brief of Petitioner on Writ

(Pet. Brief) at 39-42. However, Petitioner's arguments run counter to long established balance of powers between the Court and Congress. *See* U.S. Const. Art. I, sec. I; and Art. III, sec. I. Congress legislates, and the Court interprets the legislation. Congress may render the Court's interpretation obsolete, either by passing a new law or by amending the old law, as it did in the 1988 Amendment to section 1391. It is of no consequence that Congress did not specify its intent to render *Fourco* obsolete when changing the structure of federal venue:

> [T]he large majority of overrides are . . . more routine *policy-updating* overrides, namely, override statutes frequently supported by bipartisan majorities in Congress that have as their stated goal the updating of public law, rather than "correction" of judicial mistakes.

Matthew R. Christiansen, William N. Eskridge, Jr., *Congressional Overrides of Supreme Court Statutory Interpretation Decisions, 1967-2011*, 92 TEX. L. REV. 1317, 1320 (2014). That observation makes sense when taken in context of the 1988 general venue statute amendments and the recognition that the corporate patent venue statute lagged behind other corporate venue provisions. *See, e.g., Brunette*, 406 U.S. at 713, n. 13.

Even setting aside the balance of powers principle, Petitioner's argument fails for an additional reason. The argument presupposes that, with the 2011 Amendments to section 1391, Congress sought to return the patent venue statute, section 1400(b), to its

pre-1988 form. Pet. Brief at 39-40. And, therefore, according to the Petitioner, the purpose of "Except as otherwise provided by law" was a response to the Federal Circuit's decision in *VE Holding* meant to restore the rule under *Fourco*. *Id.* at 13, 39. However, if the 1988 Amendments changed the patent venue statute, then the addition of the language in 2011, "Except as otherwise provided by law," does not incorporate the *Fourco* rule because that was not the law after 1988. Hence, the *Fourco* decision could not have been adopted by the 2011 amendments. *See Heartland*, 821 F.3d at 1342 (quoting the following from Heartland's petition for a writ of mandamus: "most special venue statutes have not been held to encompass particular rules about residency, and thus subsection (c) can apply to such statutes wherever they are found in the U.S. Code.").

II. PATENT VENUE FORUM SHOPPING RESULTED FROM MULTIPLE EVENTS

A. Local Administrative Tools

Legal scholars have theorized that competition among district courts for patent cases has created much of the forum shopping activity today. J. Anderson, *Court Competition for Patent Cases*, 163 U. PA. L. REV. 631, 659-60, 683 (2015).

Some district courts compete for patent infringement actions because the specialty nature of the suits brings prestige to the district. *Id.* at 663-64, 683. In addition, "[t]he court competition theory suggests that by centralizing patent appeals in the Federal Cir-

cuit—and thus unifying the law nationally—the relative importance of distinctions between district court administrative practices increased significantly." *Id.* at 635. Recognizing the potential value of these administrative practices, some district courts standardized their case management practices to attract patent litigants to their districts. *Id.*[4]

According to legal scholars, district courts may signal their interest in patent litigation in three ways:

> First, the court can codify certain practices into local procedural rules. Second, word-of-mouth can convey the court's interest to other litigants. Practitioner publications are filled with suggestions of courts that are ideal for certain types of cases. Lastly, judges and courts can explicitly announce their interest in certain types of cases.

Id. at 644.

Over thirty regional district courts have enacted separate local patent rules. *See, e.g.*, Travis Jensen, *Local Patent Rules, Patent Rules Made Easy*, LEGAL INFORMATION (2014-16), http://www.localpat-entrules.com/ (listing districts with local patent rules).

Indeed, the promulgation of the Eastern District of Texas Local Rules in 2005 further catapulted that district into the spotlight for patentees. *See* United

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[4] "Bankruptcy judges have engaged in many of the same practices that district courts have used to attract [patent] litigants." Anderson, 163 U. PA. L. REV. at 636.

States District Court for the Eastern District of Texas, Local Patent Rules, 1. Scope of Rules, http://www. txed.uscourts.gov/page1.shtml?location=rules:local. Even though the Eastern District of Texas had traditionally been a "plaintiff-friendly" civil litigation forum with a short track to trial, implementation of local patent rules in the early 21st Century that were favorable to plaintiffs telegraphed to patentees that the Eastern District was a favorable place for them to file as well. Anderson, 163 U. PA. L. REV. at 651-54.

At about the same time this phenomena was occurring in Texas, the District of New Jersey, recognizing its heavy load of pharmaceutical patent cases, and passed its own local patent rules. New Jersey District Court, Local Patent Rules (2016), http://www.njd. uscourts.gov/sites/njd/files/completelocalrules.pdf. Indeed, the "State is home to 14 of the world's 20 largest pharmaceutical companies." Pharmaceuticals, State of New Jersey Business Portal, http://www.nj.gov/njbusiness/industry/pharmaceutical/. New Jersey remains one of the main districts of choice for pharmaceutical cases. *See, e.g.*, Connell, Letchford and Cotter, 3 *Reasons NJ May Be New IP Venue of Choice*, LAW360 (2009) https://www. law360.com/articles/83629/3-reasons-nj-may-be-new-ip-venue-of-choice (discussing how the district's changes in local rules to "capitalize on the experienced judiciary in the [district], expedite discovery, and thus time to trial, and offer a unique advantage for Hatch-Waxman litigation."). Other patent heavy jurisdictions took similar actions. *See, e.g.*, Travis Jensen, *Local Patent Rules, Patent Rules Made Easy* LEGAL INFORMATION (2014-16), http://www.localpatentrules. com/.

B. The Patent Pilot Program

Returning venue determinations to the *Fourco* rule would have the effect of undermining a program which Congress devised to direct patent cases to trial judges who understand and enjoy this area of the law.

In 2011, several judicial districts were selected to participate in the Patent Pilot Program.[5] The Patent Pilot Program lasts for 10 years, or until 2021. During this time, specialized training on patent cases and case management techniques are being provided to judges in the participating district courts who request it. When a new patent case is filed in a participating district court, after an initial random assignment, if the randomly assigned judge turns the case down, the case may be reassigned to one of the specially trained judges.[6]

Some of the Patent Pilot Program district courts were selected because they were among the district courts with the highest patent filing rate. Other courts were selected because they had adopted local patent rules. Singer, *14 District Court's Selected for Patent Pilot Program*, IP SPOTLIGHT, https://ipspotlight.com/2011/06/09/14-district-courts-selected-for-patent-pilot-prgroam/ (2011). Because of their training and experience, the judges that participate in the Patent Pilot Program understand the nature and complexity of patent law, which serves both plaintiffs

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[5] Pub. L. No. 111-349, 124 Stat. 3674-3676, Jan. 4, 2011 (codified at 28 U.S.C. §137 note (2014) named six judicial districts, which eventually became 14 districts, to participate in the Patent Pilot Program.

[6] *Id.* at (a)(1).

and defendants in achieving an efficient and effective patent litigation experience.

The Petitioner's interpretation of the venue statutes impedes the intent of Congress to direct patent cases to these experienced jurists.

III. RETURN TO THE 60-YEAR OLD VENUE STANDARD OF *FOURCO* WOULD UNDLY RESTRICT PATENT LITIGATION VENUE OPTIONS

At present, no federal corporate venue statute, specific or general, is as limited as Petitioner requests the Court to rule here. While Petitioner waxes on about the damage done by forum shopping (Pet. Brief 14-16, 37-38), under a more restrictive statute, it is likely that even fewer of the trained regional district courts would regularly hear patent cases. Pickard & Kim, *The Future Of Forum-Shopping In A Post-TC Heartland World*, IP WATCHDOG (2017), http://www.ip-watchdog.com/2017/01/11/future-forum-shopping-post-tc-heartland/id=76960/.

Almost 30 years ago, the Federal Circuit in *VE Holdings* correctly determined that the plain meaning of sections 1391(c) and section 1400(b) requires interpreting "resides" in section 1400(b) consistently with "residency" in section 1391(c). This Court subsequently denied a petition for a writ of certiorari in that case. 499 U.S. 922 (1991).

While a return to *Fourco* venue limitations would reduce the number of cases that could be brought in the Eastern District of Texas, restricting patent venue to either (1) the district in which the defendant

is an inhabitant or (2) a district in which the defendant has committed acts of infringement *and* has a regular and established place of business, *Fourco*, 353 U.S. at 225, such a return could further concentrate patent litigation in certain district courts (such as Delaware and New York) that already have heavy patent dockets because many companies are incorporated there. Pickard, IP WATCHDOG (2017). In addition, many more technology cases could be concentrated in the Northern District of California because that is where the defendant may have a place of business and committed acts of infringement. *Id.* Such consolidation of patent venues—i.e., a simply shift of filings from the Eastern District of Texas to several other judicial districts—would be equally troubling to AIPLA and its members. Among other things, we would lose the benefit of the patent-trained judges of the other Patent Pilot Program districts. *See id.* In addition, such an interpretation of the applicability of "Residency" in the general venue statute section 1391(c)(1)-(3), would provide a loophole for foreign defendants and create uncertainty for copyright cases, as discussed in Section I.C. *supra*.

IV. TO THE EXTENT CHANGES TO THE PATENT VENUE STATUTE NEED TO BE MADE, CONGRESS HAS PROPOSED NUANCED SOLUTIONS THAT SHOULD BE ALLOWED TO WORK THROUGH THE LEGISLATIVE SYSTEM

For the reasons set forth above, revival of the *Fourco* interpretation of the patent venue statute would not sufficiently address concerns about patent

venue and forum shopping. Indeed, a 2007 House Report recognized that "simply returning to the 1948 venue framework would be too strict for modern patterns of technology development and global commerce." H.R. Rep. 110-314, at 40 (2007). However, some in Congress also have recognized that the current state of patent venue enforcement could be improved. H.R. Rep. 114-235, at 34 (2015) (stating that "Congress must correct" the interpretation in *VE Holding* by amending section 1400).

During the 114th Congress, both the House and the Senate introduced bills aimed at addressing the forum shopping problem: "[t]hese bills are designed, *inter alia*, to amend the federal judicial code to restrict the venues where patent actions may be brought to judicial districts where," for example, the defendant has its principal place of business or is incorporated; or the defendant has committed an act of infringement of a patent in suit *and* has a regular and established physical facility giving rise to infringement; or an inventor named on the patent conducted research or development that led to the application for the patent in suit. H.R. 9, Innovation Act, 114th Cong. § 3(g) (2015); S. 2733, Venue Equity and Non-Uniformity Elimination Act of 2016, 114th Cong. § 2(a) (2016).

In an attempt to strike a balance between the interests of patent owners who practice their patents and accused infringers, these bills considered a range of factors, including the location of the research that led to the patent and a physical facility of the defendant. *Id.* By contrast, Petitioner here asks only for a binary determination—the current interpretation of venue or that of *Fourco*.

Instead of upsetting settled patent venue law based on an incorrect statutory interpretation, this Court should allow Congress to develop a more nuanced venue policy that would harmonize current patent venue rules with the general federal venue statute and with the forum shopping concerns identified by Petitioner.

CONCLUSION

For the foregoing reasons, AIPLA respectfully requests that the Court preserve the *status quo* applicable to the current patent venue statute by affirming the decision below and leave venue reform efforts to Congress.

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Petitioner,

v.

KRAFT FOOD GROUP BRANDS LLC,

Respondent.

BRIEF OF THE BIOTECHNOLOGY INNOVATION ORGANIZATION AND THE ASSOCIATION OF UNIVERSITY TECHNOLOGY MANAGERS AS *AMICI CURIAE* IN SUPPORT OF RESPONDENT

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INTEREST OF *AMICI CURIAE*

The Biotechnology Innovation Organization ("BIO") is a major trade association representing over 1,100 biotechnology companies, research institutions, technology incubators, and similar entities in the medical, agricultural, environmental and industrial biotechnology sectors.[1] In the healthcare sector alone, the biotechnology industry has more than 370 therapeutic products currently in clinical trials being studied to treat more than 200 diseases.

The Association of University Technology Managers (AUTM) is a nonprofit organization dedicated to bringing research to life by supporting and enhancing the global academic technology transfer profession through education, professional development, partnering, and advocacy. AUTM's more than 3,200 members represent managers of intellectual property from more than 300 universities, research institutions, and teaching hospitals around the world, as well as numerous businesses and government organizations.

BIO and AUTM have a strong interest in a balanced and fair patent enforcement system. The vast majority of BIO members, for example, are small companies that have yet to bring a product to market

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[1] Letters of consent have been filed with the Clerk. Pursuant to Supreme Court Rule 37.6, *amici* state that no counsel for a party authored any part of this brief, and no person or entity other than *amici* and their counsel made a monetary contribution to the preparation or submission of this brief.

and attain profitability. Their potential to do so depends on their ability to enforce their patents. BIO has a strong interest in ensuring that these companies, and indeed all BIO members, can invoke venue rules that enable them to enforce their patents in convenient and logical forums – such as where they are engaged in efforts to commercialize their patented inventions. At the same time, BIO and AUTM recognize that manipulating patent venue in an abusive manner is not sound policy and is not necessary to protect the legitimate interests of patent holders.

A balanced approach is imperative. While BIO and AUTM recognize policy deficiencies that have materialized under the current approach to venue, they have an interest in ensuring that those deficiencies result in targeted reforms through congressional action, not a blunderbuss approach. Given the high failure rate of potential biotechnology, bioagricultural, and pharmaceutical products, for example, and the massive investment required to identify, develop and obtain regulatory approval for new products and bring them to market, the ability to efficiently and effectively enforce patents is critical to the biotechnology industry.

Both this Court and Congress have taken significant steps in recent years to rein in abusive patent litigation. Certainly, more can be done. But the other side of the equation is crucially important given the constitutional purpose at the heart of the patent system – to "promote the Progress of Science and

useful Arts." U.S. Const., Art. I, § 8, cl. 8. As the US PTO testified with respect to proposed legislative reform, any reform "must achieve a balance, preventing abuse while ensuring that any patent owner, large or small, will be able to enforce a patent that is valid and infringed." H.R. Rep. No. 114-235, at 83 (2015) (testimony of Michelle K. Lee, Director of the PTO, April 14, 2015).

SUMMARY OF ARGUMENT

Petitioner and its *amici* document issues caused by forum shopping that has resulted in a significant concentration of patent-infringement suits in the Eastern District of Texas. BIO and AUTM share this policy concern. BIO's members are often defendants in patent suits, not just plaintiffs. And BIO does not believe it is good for the system if more than 40% of patent cases come up through a single district. BIO's view stems not only from patent suits, but also from many other types of civil litigation where BIO members have been forced to defend themselves in inconvenient and disadvantageous forums.

But attempting to resolve those issues through this case would do significantly more harm than good. This case presents this Court with a binary choice limited to patent suits. Petitioner advocates one side of that choice: a return to the venue regime that prevailed prior to 1988. That would divorce venue decisions in patent cases from the balancing of convenience that occurs as part of transfer decisions in the present system – one of several mechanisms that currently limit the degree to which forum

shopping can skew convenience and fairness in plaintiffs' favor.

The pre-1988 regime limited venue options to a corporate defendant's place of incorporation or where it "has committed acts of infringement and has a regular and established place of business." 28 U.S.C. § 1400(b). That often left few possible forums, and potential defendants could effectively shop for those forums by careful selection of their state of incorporation and whether/where to have regular and established places of business. Patent owners engaged in heated battles in an uncertain effort to litigate anywhere outside the defendants' state of incorporation. And even if they prevailed, they often would still be limited to a venue in which the defendant had a regular and established place of business but to which they had no connection whatsoever. A return to this regime would greatly inconvenience patent owners (particularly those that are small businesses, like most BIO members), would increase the amount of patent litigation by frequently forcing patent holders to bring related claims in multiple separate actions, and would skew litigation in favor of accused infringers.

Congressional reform efforts in recent years demonstrate the undesirability of a return to the pre-1988 approach. *None* of the recent reform proposals has advocated a return to that approach. The multiple proposals considered in the last two Congresses, for example, all recognized the importance of including venue options tied to locations where the patent

owner is or was engaged in activities related to the patent. Congress should be left to proceed with those better calibrated reform efforts. This Court should either dismiss this case as improvidently granted or should affirm, rather than legislating an obsolete approach to venue that Congress has not endorsed.

ARGUMENT

I. Narrowing Venue To The Forums Permitted Before The 1988 Amendment Would Inconvenience And Unfairly Disadvantage Patent Owners And Detract From Judicial Economy.

This Court noted in 1972 that "changes in the general venue law ha[d] left the patent venue statute far behind." *Brunette Mach. Works, Ltd. v. Kockum Industries, Inc.*, 406 U.S. 706, 713 n.13 (1972). Restoring the patent-venue regime that then prevailed would divorce patent-venue law even further from modern business practices than was the case in 1972.

A. The Pre-1988 Regime Severely Constrained Venue While Leading To Pitched Battles Over What Fell Within The Narrow Limits.

The patent venue provision, 28 U.S.C. § 1400(b), authorizes a plaintiff to bring a patent-infringement action in "the district where the defendant resides or where the defendant has committed acts of infringement and has a regular and established place of business." In 1988, Congress amended the general

venue provision, 28 U.S.C. § 1391, to make clear that the broad definition of "resides" in that provision applied throughout the statutory chapter, which includes § 1400(b). The Federal Circuit then held that the term "resides" in § 1400(b) took on the broad meaning specified in § 1391(c). *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990). Petitioner now advocates a return to the pre-1988 regime in which § 1400 was interpreted as a stand-alone provision without reference to § 1391.

Under the pre-1988 regime, venue in patent cases was both severely constrained and subject to pitched battles. Prior to the 1988 amendments, this Court interpreted the term "resides" as limited to the defendant's place of incorporation. *See Fourco Glass Co. v. Transmirra Products*, 353 U.S. 222, 226 (1957). When that forum was inconvenient or undesirable for a patent owner, a plaintiff's only choice was to sue "where the defendant has committed acts of infringement and has a regular and established place of business." 28 U.S.C. § 1400(b).

Courts generally agreed that a "regular and established place of business" required more than merely "doing business." *See, e.g., Knapp-Monarch Co. v. Casco Products Corp.*, 342 F.2d 622 (7th Cir. 1965). The locations of a company's parent or subsidiary did not count. And a number of courts held that the same was true for locations of independent contractors hired to sell the company's products -- at least if the contractors also sold products for other companies. This was so even if the company's name

appeared in the phone book and on the office door of the contractor. *See, e.g., Coleco Industries, Inc. v. Kransco Manufacturing, Inc.*, 247 F. Supp. 571 (S.D.N.Y. 1965). *See also Grantham v. Challenge-Cook Bros.*, 420 F.2d 1182 (7th Cir. 1969); *Hollub Indus., Inc. v. Wyche*, 290 F.2d 852 (4th Cir. 1961). A manufacturer thus could dramatically restrict the venues in which it could be sued by selling through such third-party agents.

The limitations were particularly severe with respect to infringement actions involving process patents. A party infringes a process patent only if it practices the process, not if it sells or uses the product that results from the process. *See, e.g., Merrill v. Yeomans*, 94 U.S. 568 (1876); *Joy Technologies, Inc. v. Flakt, Inc.*, 6 F.3d 770 (Fed. Cir. 1993); *Foster D. Snell, Inc. v. Potters*, 88 F.2d 611 (2d Cir. 1937). Thus, if a manufacturer practiced the process only in its state of incorporation, venue might be improper in any other location regardless of whether the manufacturer sold the product elsewhere. *See, e.g., Koratron Co. v. Lion Uniform, Inc.*, 449 F.2d 337 (9th Cir. 1971).

Beyond this, there was great uncertainty that was resolved through case-by case battles. "[B]y 1985, the pocket part to the United States Code Annotated had twenty-six columns of annotations on what was or was not a 'regular and established place of business.'" Sidney A. Rosenzweig, *Patent Venue Reform: Congress Takes Two Steps Back*, Progress & Freedom Foundation Progress on Point Paper (Feb. 2009),

https://ssrn.com/abstract=1368468. In the years when venue often turned on the regular-and-established-business provision, "[a]ll too often, patent infringement suits beg[a]n with a battle over where the war is to be fought." Richard C. Wydick, *Venue in Actions for Patent Infringement*, 25 STAN. L. REV. 551 (1973). In determining whether a company had a regular and established place of business in a district, courts weighed "many small shards of evidence," including "who pays the rent on defendant's office," whether the defendant's name appears in the telephone book, whether the defendant's name appears on an office door or the lobby board of a building, and what legend appears on the business cards carried by the defendant's salesmen. *See* Wydick, *supra*, at 574 (citations omitted).

The related venue requirement that "the defendant has committed acts of infringement" in the district was also the subject of extensive litigation. An act of infringement requires making, using or selling the invention. 35 U.S.C. § 154. Parties battled over whether, for example, a defendant was selling the invention in the district if it took orders in the district but did not complete the sale there. *Compare, e.g., Dow Chem. Co. v. Melton Corp.*, 281 F.2d 292, 294 (4th Cir. 1960) (holding that completed act of sale must be proved) *with Union Asbestos v. Evans*, 328 F.2d 949, 953 (7th Cir. 1964) (holding that solicitation of sales plus demonstration of device constitutes act of infringement for venue purposes).

These battles over venue often resulted in findings that venue was improper even in venues with substantial connections to the defendant and the litigation. *See, e.g., Jeffrey Gallon, Inc. v. Joy Manufacturing Co.*, 323 F. Supp. 261 (N.D. W. Va. 1971) (holding venue improper even though defendant had repair shop in district with 11 employees); *General Radio Co. v. Superior Electric Co.*, 293 F.2d 949 (1st Cir. 1961) (holding venue improper even though defendant had office with district sales manager and secretary). At times, it appeared that defendants could all too easily defeat venue by, for instance, simply installing infringing equipment on a truck and moving around between customer locations where infringing services were performed. *Phillips v. Baker*, 121 F.2d 752, 756 (9th Cir. 1941) ("The appellees merely conduct precooling operations in a box car temporarily standing at a railroad siding, which car is there one day and gone the next; appellees also move from place to place according to the locations of the various shippers.[...] The necessary element of permanency is lacking.") Other courts found venue more readily, emphasizing, for example, that "economic realities" guide the conclusion that while "a defendant's presence in the district must be permanent and ongoing, it need not be fixed in a physical location or office." *See, e.g., Brunswick v. Suzuki Motor Co.*, 575 F. Supp. 1412, 1424 (E.D. WI 1983).

The advent of the Federal Circuit, and its consideration of § 1400(b), did not curb these venue battles. The Federal Circuit interpreted § 1400(b) in

In re Cordis Corp., 769 F.2d 733 (Fed. Cir. 1985), when it considered a petition seeking mandamus from a district court venue decision. After citing the high threshold for mandamus, it held that the district court had not abused its discretion in finding that venue was proper based on the following facts: the defendant had sales representatives who lived in the district and worked out of home offices in which they stored products and brochures, and the sales representatives also acted as consultants during implantation of allegedly infringing devices during surgery. *Id.* at 736-37. The Federal Circuit narrowly distinguished prior court of appeals decisions that had held there was no venue on similar facts. For example, it distinguished *University of Illinois Foundation v. Channel Master*, 382 F.2d 514 (7th Cir. 1967), on the basis that in that case, the company's employee who worked from his home "kept no stock or samples of the products" in the district and there was no evidence that he demonstrated the specific product. *See Cordis*, 769 F.2d at 736. With respect to the regular and established business requirement, the Federal Circuit stated, the question is whether the corporate defendant has "a permanent and continuous presence" in the district, not "whether it has a fixed physical presence in the sense of a formal office or store." *Id.* at 737.

After the *Cordis* decision, district court venue decisions continued to be unpredictable and often narrow. Some courts pointed to *Cordis* as a justification to find venue on particular facts. *See, e.g., Minnesota Mining & Mfg. v. Johnson & Johnson*

Products, 1 U.S.P.Q.2d 1992 (D. Minn. 1986) (upholding venue in Minnesota due to defendant's "substantial presence in the forum despite absence of a fixed location"). But other courts emphasized that *Cordis* was a mandamus case that itself depended on very specific factual analysis, and continued to deny venue on similar facts. In *Schoofs v. Union Carbide Corp.*, 228 U.S.P.Q. 540 (E.D. Cal. 1985), for example, the court held that a company's employment of a full-time salesperson in the district did not establish a regular and established place of business where the "totality of the activities" he performed were not "factually similar" to those in *Cordis*. In *Herbert v. Diagnostic Products*, 1986 WL 6781 (S.D.N.Y. 1986), the court held that a company whose sales representatives used their homes as offices did not have a regular and established place of business in the district where "usage of the homes is less than that in *Cordis*" – "no inventories are maintained" there, for example. *Id.* at * 4.

Herbert relied in part on a line of cases that read a 'regular and established place of business' to mean "a permanent physical location which defendant maintains, controls and pays for, and from which substantial business is conducted." *Id.* (citations omitted). Other cases also reiterated rigorous limitations. For example, *MAGICorp. v. Kinetic Presentations, Inc.*, 718 F. Supp. 334 (D.N.J. 1989), held that even in a case in which the defendant leases office space in the district, "it is necessary for the court to inquire whether the plaintiff has proved that the defendant engages in a substantial part of its

ordinary business in a continuous manner in the district." *Id.* at 340. "[I]mportant factors include whether the defendant employs sales representatives in the district and, if so (1) whether these employees work exclusively for the defendant and (2) whether they are authorized to consummate sales as opposed merely to solicit orders within the district." *Id.* (internal quotation marks and citation omitted). Under that standard, a national manufacturer can ensure it is not subject to venue in a district simply by employing sales representatives who do not work exclusively for it, and who do not consummate sales in the district.

Thus, prior to the 1988 amendments to § 1391, § 1400(b) was often interpreted narrowly after costly and unpredictable battles focused on the application of abstract statutory terms to detailed fact patterns, rather than on the practicalities of where venue is sensible. And "since the shards of evidence [related to whether a business was fixed and established] can be arrayed in an endless variety of patterns, the law in this area tend[ed] to grow in bulk but not in substance." Wydick, *supra*, at 574. It remained unpredictable and battle-prone despite decades of application.

B. A Return To The Pre-1988 Regime Would Significantly Inconvenience Patent Owners And Detract From Judicial Economy.

1. Patent Owners Would Often Have To Litigate In Distant Geographic Locations Far From Witnesses And Evidence.

With a return to a pre-1988 patent venue regime, all the confusing caselaw described above would once again become important precedent. Not only would this provide virtually unlimited fodder for unproductive litigation – *all* this precedent is *at least* 30 years old, grounded in long-superseded commercial practices from an economy that predates computers, e-commerce, and biotechnology. A return to the pre-1988 regime for patent venue would likely leave patent owners with even fewer venue options today than they had in 1988. In today's world of internet sales, a wide array of businesses (including, for example, online pharmacies) often can avoid having multiple regular and established offices, making it significantly more likely today than pre-1988 that a stand-alone interpretation of § 1400(b) would leave patent owners with no venue options other than a venue based on defendant's state of incorporation.

That stand-alone interpretation would substantially inconvenience patent owners. Many patent owners, including most of amicus BIO's members, are small companies. It is often costly and inconvenient to be forced to sue in a location that could well be on the other side of the country and

could be one where none of the relevant witnesses or documents are located. Even infringement suits involving larger entities are often more reasonably and conveniently brought in a proximate geographic location. Moreover, the federal courts in the available venue might be significantly backlogged or lack any experience with patent cases. Petitioners and their *amici* express understandable concern over the burden and inconvenience of having to defend infringement suits in faraway locations. But those concerns must be balanced against legitimate needs to enforce patents in logical locations, where the harm from infringement occurred and is most acutely felt, and where litigation can be efficiently resolved.

Such considerations are particularly important for BIO's members, who invest heavily to develop patentable inventions and whose businesses often depend on the intellectual property they represent. Developing a single therapy requires a fully capitalized average investment approaching $2.6 billion and consumes more than six years. *See* DiMasi JA, Grabowski HG, Hansen RA. *Innovation in the Pharmaceutical Industry: New Estimates of R&D Costs,* J. HEALTH ECON. 47: 20-33 (2016). And the risk is huge. There is only a one in 5,000 chance that a biopharmaceutical medicine will advance from the laboratory bench to production. *See* Secretary of Health and Human Services Tommy G. Thompson, Remarks at the Milken Institute's Global Conference (Apr. 26, 2004), available at www.hhs.gov/news/speech/2004/040426.html. As a

result of these costs and risks, the development of experimental compounds is significantly impacted by the enforceability of patent protection. Benjamin Roin, *Unpatentable Drugs and the Standards of Patentability*, 87 TEXAS L. REV. 503 (2009).

A small company may hold a limited number of patents and manufacture its biopharmaceutical products in a single state, where its headquarters are also located. If faced with patent infringement, the state of the company's residence is the most logical forum for suit – the place where the harm of infringement can most naturally be said to occur and the place where relevant witnesses and documents are likely to be located. Such a result reflects a venue choice that would be available to a plaintiff in any other type of commercial action. And if the defendant believed that the state was an inconvenient forum, it could seek to transfer the litigation.

Such convenience factors are ordinarily a critical part of venue determinations. Constitutional limits on personal jurisdiction protect all defendants from having to defend themselves in jurisdictions that are outside the bounds of "traditional notions of fair play and substantial justice." *Int'l Shoe Co. v. Washington*, 326 U.S. 310, 316 (1945). Venue statutes are then designed "to allocate suits to the most appropriate or convenient federal forum." *Brunette Mach. Works, Ltd. v. Kockum Industries, Inc.*, 406 U.S. 706, 710 (1972).

Under the general venue provision, a plaintiff suing a corporate defendant can select the forum so

long as there is personal jurisdiction, but the defendant can then seek transfer under 28 U.S.C. § 1404(a) based on the convenience of *both* parties including "relative ease of access to sources of proof; availability of compulsory process for attendance of unwilling, and the cost of obtaining attendance of willing, witnesses. . . and all other practical problems that make trial of a case easy, expeditious and inexpensive." *Piper Aircraft Co. v. Reyno* , 454 U.S. 235, 241, n.6 (1981) (internal quotation marks omitted). Courts can also consider public-interest factors including "the administrative difficulties flowing from court congestion . . . ." *Id.* The transfer provision "reflects an increased desire [by Congress] to have federal civil suits tried in the federal system at the place called for in the particular case by consideration of convenience and justice." *Van Duesen v. Barrack*, 376 U.S. 612 (1964).

Prior to passage of the transfer statute, convenience also was important, but it was the plaintiff's convenience that was front and center. Under the traditional doctrine of *forum non conveniens*, "a real showing of convenience by a plaintiff who has sued in his home forum will normally outweigh the inconvenience the defendant may have shown." *Koster v. Lumbermens Mutual Co.*, 330 U.S. 518, 524 (1947). *See also Gulf Oil Corp. v. Gilbert*, 330 U.S. 501, 508 (1947) ("[U]nless the balance is strongly in favor of the defendant, the plaintiff's choice of forum should rarely be disturbed.")

But Petitioner now proposes re-imposition of an approach to patent venue under which considerations of the plaintiff's convenience and justice become irrelevant. The only available venue(s) may not be the site of any of the operative facts or include *any* of the evidence or witnesses. The courts in those venues could also be backlogged and could lack any experience with patent cases. Indeed, forums that would undoubtedly meet both private and public venue transfer factors would often be precluded.

This very case is an illustration. Respondent sued in the jurisdiction where it is incorporated and thus to which it has strong ties and one in which it alleges Petitioner infringed. Petitioner was unable to show that the balance of convenience justified transfer elsewhere. But it now asks this Court to impose venue requirements that would render irrelevant Respondent's connection to the district and the balance of factors that the district court determined counsel against transfer.

2. Patent Owners Would Be Restricted In Their Ability To Bring Significantly Related Claims In A Single Action.

A return to the pre-1988 regime could further inconvenience patent owners – and detract from judicial economy – by significantly limiting the ability of patent owners to litigate closely related claims in a single action.

Often patentees bring suit on multiple related patents in a single action. For example, defendants frequently infringe method and product patents

simultaneously. But, as explained in § I *supra*, some courts applying the pre-1988 regime held that the only proper venue for suit on a method patent (outside the place of incorporation) is the place where the method is practiced, not where the resultant product is sold. Some of these courts dismissed method claims brought in other venues even when plaintiffs were properly proceeding on product claims in those venues. *See, e.g., Kalvar Corp. v. Memorex Corp.*, 386 F. Supp. 273 (E.D. La. 1974) (holding venue was proper only as to product claim, not method claim); *Schroeder v. Owens-Corning Fiberglas Corp.*, 326 F. Supp. 594 (C.D. Cal. 1971). A return to the pre-1988 venue regime thus could result in separate and duplicative litigation of claims based on product and method patents.

Even with respect to multiple product claims, the patent owner could be severely limited in its ability to sue on related patents in the same forum. In *Dow Chem. Co. v. Metlon Corp.*, 281 F.2d 1960 (4th Cir. 1960), for example, the plaintiff alleged that defendant had infringed two of its patents through the sale of certain yarns. The court found that that there was no venue with respect to the claims under one of the patents, because there was no evidence of sale of the particular yarns alleged to violate that patent. The patent owner was permitted to proceed in the existing forum with only a subset of its claims; the rest had to be litigated elsewhere.

One particularly important type of patent litigation would be significantly impacted by a return

to the pre-1988 venue regime: litigation based on abbreviated new drug applications ("ANDAs") that generic competitors file with the FDA seeking permission to market a generic version of a brand drug. *See Caraco Pharmaceutical Laboratories, Ltd. v. Novo Nordisk A/S*, 566 U.S. 399, 404-05 (2012) (describing the process). This form of litigation was created by the 1984 Hatch Waxman Act and thus was not long subject to the pre-1988 venue regime. (BIO and AUTM are not aware of any decisions interpreting §1400(b) in Hatch-Waxman ANDA cases while the pre-1988 regime was in effect.)

Under the Hatch-Waxman Act, if competitors wish to produce a generic form of a brand drug before expiration of patents on the brand drug, they may submit a "Paragraph IV certification" stating that the relevant brand patents are "invalid or will not be infringed by the manufacture, use, or sale of the [generic] drug." 21 U.S.C. § 355(j)(2)(A)(vii)(IV). Often many manufacturers of generics submit applications. In 2005, for example, an average of eleven applications were submitted the first day that doing so was permissible *See F.T.C. v. Actavis, Inc.*, 133 S. Ct. 2223, 2246 (2013) (Roberts, C.J., dissenting) (citing data from Brief for Generic Pharmaceutical Association). After the patent owner receives notice of the ANDA filings, it has 45 days to sue for infringement, which then automatically entitles it to a thirty month stay. 21 U.S.C. § 355(j)(5)(B)(iii).

When multiple ANDAs have been filed for the same brand drug, it is generally advantageous for the

patent owner, as well as judicially efficient, to bring infringement actions against the applicants in a single district because such cases involve the same timelines and highly similar issues across defendants. *See, e.g., Pfizer Inc. v. Teva Pharmaceuticals USA, Inc.*, 444 Fed. Appx. 961 (Fed. Cir. 2014) (case with ten defendants); *Eli Lilly and Co. v. Actavis Elizabeth LLC*, 2010 WL 3374123 (Fed. Cir. 2007) (seven defendants); *Sanofi-Aventis v. Sandoz, Inc.*, 405 Fed. Appx. 493 (Fed. Cir. 2009) (twenty-three defendants). As the Federal Circuit has explained, permitting adjudication of multiple ANDA infringement actions in a single district "will serve the interests of the plaintiffs and the judicial system in efficient resolution of litigation." *Acorda Therapeutics Inc. v. Mylan Pharmaceuticals Inc.*, 817 F.3d 755 (Fed. Cir. 2016). This avoids the need to educate multiple courts on what are often complex technical issues. As one court explained in the context of a discussion of personal jurisdiction:

> it would be a significant burden on Plaintiffs if required to bring lawsuits against each ANDA filer in the defendants' respective home states. In this case, Plaintiffs initially filed suit against approximately forty generic drug companies that reside in a variety of locations. Such a result would be inconsistent with the balance that Congress sought to create in passing the Hatch-Waxman Act.

Eli Lilly and Co. v. Mylan Pharmaceuticals, Inc., 96 F. Supp. 3d 824, 835 (S.D. Ind. 2015).

But if Petitioner prevails, patent owners will not be able to prosecute ANDA-based infringement actions in a single district unless (1) the generic manufacturers are all incorporated in the same state or (2) they all have regular and established places of business in the same district and they have all committed acts of infringement there. Those conditions are very unlikely to be met in most cases. Generic manufacturers are incorporated all over the country. *See, e.g., id.* at 835 (noting that the forty generic manufacturers sued "reside in a variety of locations"). Mylan Pharmaceuticals, for example, is incorporated in West Virginia (and has its principal place of business in Morgantown West Virginia) where no other generics are incorporated.[2] It is also unlikely the manufacturers would all have regular and established places of business in the same district. And the "acts of infringement" requirement could also be a significant barrier. It is not clear where a defendant in an ANDA case has committed an act of infringement, because the sole act of infringement in such cases is the artificial one of filing the ANDA application. *See Eli Lilly and Co. v. Medtronic, Inc.*, 496 U.S. 661, 677 (1990).[3]

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[2] Mylan has previously challenged litigation against it in other jurisdictions. *See, e.g., id.*; *see also Acorda Therapeutics*, 817 F.3d at 764 (holding there was personal jurisdiction over Mylan in ANDA litigation brought in Delaware).

[3] For purposes of personal jurisdiction, the Federal Circuit has held that the filing of the ANDA application with the FDA did not confer personal jurisdiction at the FDA's location in

Moreover, even if patent owners believed they could establish that each generic competitor has committed an act of infringement and had a regular and established place of business in a single venue, the patent owners would face significant risks if they brought all the suits in that venue. If they brought the suits in one district and some were dismissed on venue grounds, the owners might not be able to re-file because the 45-day window would have expired. *Pfizer, Inc. v. Sandoz, Inc.*, 2010 WL 256548, at * 3 (D. Del. 2010). That puts "patent holders 'between a jurisdictional rock and a hard place: file suit in the forum of choice but risk losing patent protection if the suit is dismissed for personal jurisdiction, or file suit in the only known safe forum(s)," which would likely differ for each generic. *Id.* (quotation omitted).[4]

C. A Return To The Pre-1988 Regime Would Unfairly Disadvantage Patent Owners Relative To Accused Infringers.

Most of the policy justifications advanced by Petitioner and its *amici* for narrow venue in patent-

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Maryland. *Zeneca Ltd. v. Mylan Pharm., Inc.*, 173 F.3d 829 (Fed. Cir. 1999). Instead, it has held that minimum contacts can be established based on where the ANDA applicants intended to conduct future infringing activities (such as selling the generic). *Acorda Therapeutics.*, 817 F.3d at 763. Whether this standard would carry over to assess where an act of infringement occurred for venue purposes is unclear.

[4] In some cases, patent owners file protective suits in the generic's home district in an attempt to ward off this problem. Even if successful, however, this tactic results in wasteful, duplicative litigation.

infringement actions are arguments against enabling plaintiffs to engage in forum shopping. BIO and AUTM understand that concern. BIO's members have been subjected to suit in distant forums that plaintiffs believed were uniquely advantageous in all sorts of actions, including patent actions. But the disadvantage to patent owners from a return to the pre-1988 regime would be significantly greater than any disadvantages to defendants that exist today.

Under the pre-1988 regime, patent owners would only be able to sue in districts in which the defendants are in some sense at home – districts in which they are either incorporated or in which they have a regular and established place of business and have committed acts of infringement. That provides defendants some home field advantage as a matter of course. Moreover, entities that know they are likely to be defendants in patent actions can engage in their own forum shopping by choosing their state of incorporation based on perceived litigation advantages. They can then take steps to distribute their product without establishing regular and established places of business in any venues they do not view as advantageous. That is particularly easy in today's world of internet sales.

This Court has noted the risk that "[t]hrough its choice of the State of incorporation, a corporation could manipulate federal court jurisdiction, for example, opening the federal courts' doors in a State where it conducted nearly all its business by filing incorporation papers elsewhere." *Hertz Corp. v.*

Friend, 559 U.S. 77, 85-86 (2010). As Congress has recognized in considering patent-venue reform proposals, venue rules should not permit a party to "manufacture venue" by choosing its state of incorporation. S. Rep. No. 110-259, at 26 (2008). The Senate Judiciary Committee amended one proposed reform bill by adding multiple venue options to ensure that "a company cannot establish venue in a given State simply by incorporating there." *Id.* Similarly, the House Judiciary Committee amended a reform proposal so that it explicitly directed that "a party shall not manufacture venue by assignment, incorporation, joinder, or otherwise primarily to invoke the venue of a specific district court." H.R. 1908, 110th Cong. § 11 (Sept. 7, 2007). A return to the pre-1988 regime enables just the sort of forum shopping the congressional committees were seeking to avoid.

As evident from the *Acorda Therapeutics* and *Eli Lilly* cases, Mylan may have already selected the states of incorporation and principal places of business of particular Mylan entities in an effort to control the forum of infringement litigation against it. Two Mylan entities associated with production of generics – Mylan Pharmaceuticals, Inc. and its parent Mylan Inc. – are incorporated in West Virginia and Pennsylvania respectively with their principal places of business in those states – even though twenty of Mylan Inc.'s subsidiaries are incorporated in Delaware. *Acorda Therapeutics, Inc. v. Mylan Pharmaceuticals Inc.*, 78 F. Supp. 3d 572 (D. Del. 2015), *aff'd.* 817 F.3d 755 (Fed. Cir. 2016). The Mylan

entities incorporated in West Virginia and Pennsylvania have subsequently challenged personal jurisdiction in infringement suits outside these states. The challenges have generally failed. *See id.*, 817 F.3d at 764; *Eli* Lilly, 96 F. Supp. 3d at 835; *but cf. Acorda Therapeutics*, 78 F. Supp. 3d at 598 (holding jurisdictional discovery necessary with respect to Mylan Inc.). But these entities could recast them in future cases as venue arguments – were this Court to revive the pre-1988 venue regime.

Even beyond selecting their state of incorporation and controlling their regular and established places of business, likely infringement defendants could also control the forum through other means. Defendants could move for transfer among districts in which the plaintiff originally could have brought suit. *See, e.g., Kaiser Industries Corp. v. Wheeling-Pittsburgh Steel Corp.*, 328 F. Supp. 365, 368 (D. Del. 1971). If for some reason they deemed their home districts disadvantageous for particular litigation, they could bring their own action in a different district seeking a declaratory judgment that the patent is invalid or not infringed. Such declaratory judgment actions are governed by the general venue statute, *see, e.g., VE Holding Corp.*, 917 F.2d at 1583; *U.S. Aluminum Corp. v. Kawneer Co., Inc.*, 694 F.2d 193, 195 (9th Cir. 1982), and give a manufacturer charged with infringement "an equal start in the race to the courthouse." *Kerotest Mfg. Co. v. C-O-Two Fire Equipment Co.*, 342 U.S. 180, 185 (1952); *see also Genenntech, Inc. v. Eli Lilly & Co.*, 998 F.2d 931, 938 (Fed. Cir. 1993), *rev'd on other grounds*, *Wilton v.*

Seven Falls Co., 414 U.S. 277 (1995). Indeed, in some cases, the manufacturer is entitled to priority even if it files second. *See, e.g., Codex v. Milgo Electronic Corp.*, 553 F.2d 735, 738 (1st Cir. 1977) (establishing rebuttable presumption that if patent owner sues manufacturer's customer for infringement and manufacturer then files a declaratory judgment action, the declaratory judgment action has priority); *Kahn v. General Motors Corp.*, 889 F.2d 1078, 1081 (Fed. Cir. 1989) (approving generally of the First Circuit's "customer-suit" exception to the first-filed rule but holding that it did not apply on the specific facts before it).

Thus, a return to the pre-1988 regime would require patent owners to sue in potentially inconvenient forums where defendants are in some sense at home, would enable defendants to exercise control over which forums those were, and would leave defendants with means to choose different forums in particular cases or on particular issues. Patent owners might have little or no ability to influence forum choice if the defendant limited its regular and established places of business.

Today, in contrast, neither party is subject to unconstrained forum shopping. While there is undoubtedly undesirable forum shopping by plaintiffs, potential defendants have mechanisms available to limit such forum shopping. They can file their own declaratory judgment actions of non-

infringement or invalidity.[5] They can avail themselves of the PTO's Inter Partes Review Process for review of validity issues. *See Cuozzo Speed Technologies, LLC*, 136 S. Ct. 2131, 2137 (2016) (describing process, which was created in 2011); *Murata Machinery U.S.A. v. Daifuku Co., Ltd.*, 830 F.3d 1357, 1362 (Fed. Cir. 2016) (explaining that district courts have authority to stay infringement actions while the PTO review proceeds). *See also* Vishnubhakat, S., Rai, A., and Kesan, J., *Strategic Decision Making in Dual PTAB And District Court Proceedings*, 31 BERKELEY TECH. L.J. 45, 80 (2016)(noting that more than 50% of motions to stay district court litigation pending PTO review are granted in whole or in part). Defendants can also contest personal jurisdiction in any forum in which they do not have minimum contacts sufficient to satisfy traditional notions of fair play and substantial justice. And they can move for transfer on the basis of considerations of overall convenience and justice. In cases where district courts fail to transfer when they should, the Federal Circuit has increasingly exercised mandamus to order transfer. *See* Software & Information Industry Ass'n Br. at 26 (noting that Federal Circuit has ordered mandamus of transfer decisions 17 times since 2008).

Thus, the present venue rules provide multiple safety valves for accused infringers to constrain the

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[5] The Federal Circuit recently held that personal jurisdiction in such actions can extend to jurisdictions where the patent owner has transmitted warning letters. *See Xilinx, Inc v. Papst Licensing GmbH & Co. KG*, 2017 WL 605307 (Fed. Cir. 2017).

effects of forum shopping by plaintiffs. Petitioner's proposed interpretation of § 1400, on the other hand, would result in venue rules leaving patent owners in many cases with inadequate ability to constrain forum shopping by defendants. That skewed system has nothing to recommend it.

D. There Is Nothing Unique About Patent-Infringement Actions That Justifies Narrow Venue As A Policy Matter.

As the ABA Patent Section previously concluded, there is no policy justification for a special rule for patent venue, much less for one as constraining as the pre-1988 interpretation of § 1400. *See* Peterson, *Repeal of the Patent Venue Statute*, 1989 A.B.A. Sec. Pat. Trademark and Copyright L. 240, 247.

The ABA has now changed its mind, pointing to forum shopping induced by patent-specific procedural rules adopted by particular districts. ABA Br. at 12-13. But if these non-uniform procedural rules are problematic, the proper solution is to change them or to require uniformity. It is not to change the interpretation of the venue statute to one that constrains patent owners to very limited venue choices.

Some of Petitioner's *amici* portray patent-infringement actions as subject to abuse by patent trolls. *See, e.g.*, Br. of Software & Information Industry Association at 22-25. But the possibility of abuse does not distinguish patent cases from other causes of action. Moreover, both Congress and this Court have taken many steps in recent years to

protect against abusive patent litigation. Congress has, for example, set up the Inter Partes Review System. And this Court has rendered decisions on patent-eligible subject matter (*see, e.g., Alice Corp. v. CLS Bank Int'l.*, 134 S. Ct. 2347 (2014)) and claim definiteness, *Biosig v. Nautilus*, 134 S. Ct. 2120 (2014), that have made it significantly easier to invalidate patents. It has also enabled more frequent award of attorney fees to prevailing parties, *see Octane Fitness LLC v. Icon Health & Fitness*, 134 S. Ct. 1449 (2014); *Highmark Inc. v. Allcare Health Management System*, 134 S. Ct. 1744 (2014).

Some of Petitioner's *amici* point to a justification for special venue rules in patent cases that was first articulated by the Tenth Circuit in *Ruth v. Eagle-Picher Co.*, 224 F.2d 572, 577 (10th Cir. 1955), namely that the technical and intricate nature of patent cases justifies confining venue to places where the alleged acts of infringement occurred and defendant has a regular and established business. *See, e.g.,* Intel/Dell *amicus* Br. at 32-34. When Congress enacted § 1400, it did not rely on any such justification, however. Wydick, *supra*, at 564. That is for good reason. To the extent patent suits are uniquely technical, that would seem to argue *for* the concentration of litigation in a few experienced districts, not against it.

As for the location of evidence, most patent cases involve issues of invalidity and scope as well as infringement. On those issues, most of the evidence will be held by the patent owner, not the accused infringer. *Id.* at 565. Moreover, the pre-1988 regime

did not even ensure suit where *defendant's* evidence was located. The defendant's state of incorporation might have no nexus to the evidence, for example. As in other litigation, there is no fixed rule that can ensure a patent case is litigated in the most convenient forum.

Petitioner's proposed narrowing of venue in patent-infringement cases is not well tailored to the convenience issues it raises for the additional reason that there are many technical types of litigation that would remain outside its scope. This includes many cases involving *patent* issues such as declaratory judgment actions, as well as patent-infringement actions against aliens. *See Brunette Machine Works, Ltd. v. Kockum Industries, Inc.*, 406 U.S. 706, 714 (1972).

Common-law claims that encompass patent issues also potentially could continue to be brought outside the narrow constraints Petitioner proposes for § 1400(b).[6] For example, a patent owner who believes that one of its licensees is violating the license might choose to sue for breach of the license agreement in

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[6] This Court has held that at least in some cases, a state-law claim that turns on patent issues is not even subject to federal jurisdiction. *See Gunn v. Minton*, 133 S. Ct. 1059, 1066-67 (2013). It is not clear, however, how this applies to claims with forward-looking impact on patent enforcement. *Compare Forrester Environmental Services, Inc. v. Wheelabrator Technologies, Inc.*, 715 F.3d 1329, 1334-35 (Fed. Cir. 2013) *with MDS (Canada) Inc. v. Red Source Technologies, Inc.*, 720 F.3d 833, 842-43 (11th Cir. 2013).

state court or any federal court (assuming there is diversity jurisdiction), rather than declaring the license forfeited and suing for patent infringement. And a patent owner who believes that a third party is interfering with its relationship with its licensees might choose to sue for tortious interference with contractual relations rather than for induced infringement. *See, e.g., Koratron v. Deering Milliken, Inc.*, 418 F.2d 1314 (9th Cir. 1969) (holding suit for tortious interference was not constrained by § 1400(b)); *American Harley Corp. v. Irvin Industries, Inc.*, 263 N.E.2d 552, 554 (N.Y. Ct. App. 1970) (holding that patent owner's suit for wrongful interference could proceed in state court). It would make little sense to force litigation over the same commercial dispute, involving the same facts, into different locations, depending only on whether the action involves tort, contract, or patent law. Yet, in some routine-types of patent litigation, the effect of a decision to adopt Petitioner's interpretation of § 1400 could be to skew the choice of patent owners of whether to bring common-law or patent-infringement claims without actually limiting venue choice.

II. Congressional Reform Efforts Show That Petitioner's Proposed Approach Is Unwise.

A. Congressional Reform Efforts Recognize The Need For Venue Options That Account For The Connections Of The *Plaintiff*, The Invention And The District.

Congress has given serious consideration in recent years to proposals to reform venue rules in

patent actions. *None* of the proposed legislation would have restricted venue to that in the pre-1988 regime. *Each* of the proposals would have provided plaintiffs with venue options based on their own locations, for example, where those were connected to the patent.

In the 2015-16 Congress, for example, the House Judiciary Committee approved patent reform legislation (including venue reform) that, the Committee said, was aimed at ensuring "that American manufacturing, small businesses, and start-up companies are protected against patent-enforcement abuse, while also ensuring that the patent system continues to protect and encourage American ingenuity." H.R. Rep. No. 114-235 at 23. The proposed legislation included provisions to reform patent venue, and the same provisions were introduced as a stand-alone bill in the Senate. United States Cong. Senate. *Venue Act*, 114th Cong. 2d sess. S. 2733. (March 17, 2016).

The proposed legislation specified multiple venue options. These included districts where the *plaintiff* has a regular and established physical facility and has undertaken significant activities related to the creation or practice of the patented invention – districts where *any* party has a:

> regular and established physical facility that such party controls and operates, not primarily for the purpose of creating venue, and has—
> (A) engaged in management of significant research and development of

> an invention claimed in a patent in suit prior to the effective filing date of the patent;
>
> (B) manufactured a product that embodies a tangible product that is alleged to embody an invention claimed in a patent in suit; or
>
> (C) implemented a manufacturing process that embodies manufacturing process for a tangible good in which the process is alleged to embody an invention claimed in a patent in suit;

Id.; see also H.R. REP. No. 114-235, at 6-7 (2015).

The plaintiff could also sue in any jurisdiction "where an inventor named on the patent in suit conducted research or development that led to the application for the patent in suit." *Id.*

While the proposed legislation was an unfinished product, it was clearly intended to move patent law forward – not back to a pre-1988 regime. By including locations where the *plaintiff* (or inventor) has engaged in significant activities related to the patent, the proposed legislation sought to ensure that there would be at least some venue options that are convenient to the plaintiff, not just the defendant. The availability of these options also would have made it more difficult for the *defendant* to use the choice of a state of incorporation to limit venue to a chosen forum, as did inclusion of a venue option based on the defendant's principal place of business. But the forum

choices remained more than narrow enough to avoid the sort of forum shopping by plaintiffs of which Petitioner and its *amici* complain. And if a plaintiff selected a forum inconvenient for the defendant, the defendant retained the option to move to transfer.

B. The Genesis And History Of The Proposed Legislation Demonstrates A Wide Consensus Of The Importance Of Venue Options Predicated On The Patent Owners Connection With The Litigation.

The importance of including venue options tied to locations of the plaintiff that are connected to the invention was viewed by the House Judiciary Committee as "representing the emergence of a new consensus." H.R. Rep. No. 114-235, at 22 (2015) (discussing the package of reforms as a whole).

Those who dissented from the Committee's view did not advocate for narrower venue. Their general criticism of the proposed legislation was that it tilted the balance in patent litigation too far *towards* defendants, thus "imped[ing] rather than promot[ing] innovation," a view they explained was "shared by a broad cross-section of stakeholders in the patent system, representing a vast and diverse range of industry interests" including "organizations on behalf of the life sciences industries, the higher education community, agricultural interests, entrepreneurs, inventors, small businesses," and others. *Id.* at 167.

The genesis of the language on venue proposed by the Committee further demonstrates the shared understanding that patent owners who are not patent

trolls should have venue options based on their own connection to the patented invention. In 2015, the House Judiciary Committee tweaked the language on venue initially before it to add that a party's physical location could not be a source of venue where it was established "primarily for the purpose of creating venue." *Compare* H.R. 9, June 9 Amendment, pp. 19-20 *with* H.R. REP. No. 114-235, at 6-7 (2015). That change restricted venue options somewhat. But the Committee Report made clear this additional language was aimed at patent trolls – entities whose interest in the patents they owned was litigation-related – and who were pursing litigation in venues like the Eastern District of Texas where there was a heavy concentration of patent cases.

"[C]ourts should consider the nature of the plaintiff," the Committee explained. H.R. Rep. No. 114-235, at 66 n. 160. Where the entity is an operating company – a company that had a substantial non-litigation interest in the patent – it "should be presumed to undertake its activities primarily in pursuit of those operations, and discovery into its motives for establishing its facilities in an area is unnecessary." *Id.* Even entities that "lack[] a substantial interest in the patent other than asserting it in litigation," should be presumed to have a bona fide motive unless the district chosen is "disproportionately burdened with patent cases." *Id.*

The Committee thus made clear that companies like respondent and *amicus* BIO's members should be able to sue where they have facilities connected to

their inventions or maintain business operations that are harmed by the infringement. The interest of BIO members in the patents they own is generally based on massive research they performed to obtain a patentable method or drug and in efforts to commercialize the resultant patents.

In 2007, the House Judiciary Committee had similarly recognized the importance of including venue options based on locations of the plaintiff. It considered an approach to venue with similarities to the 2015 proposals. H.R. 1908, 110th Cong. § 10 (Apr. 18, 2007). At that time, the House Judiciary Committee explained that:

> simply returning to the 1948 venue framework would be too strict for modern patterns of technology development and global commerce. Accordingly, venue requirements are relaxed by providing venue based on ***plaintiff's residence*** in many cases. In this way venue in patent cases should optimize convenience to all parties.

H.R. Rep. No. 110-314, at 40 (2007) (emphasis added).

C. A Decision By This Court To Return To The Pre-1988 Regime Would Likely Interfere With Congressional Reform Efforts.

The bills proposed in recent Congresses were subject to serious consideration. The 2015 bill introduced in the House was the subject of hearings with testimony from multiple witnesses, was marked

up by the House Judiciary Committee, which approved amendments and passed the bill out of Committee on a bipartisan vote of 24-8.

Senator Flake then proposed the Senate bill, which was limited solely to the venue provision. That bill was referred to the Judiciary Committee. After the Federal Circuit issued its opinion in this case, Senator Flake urged his colleagues to act on the basis that the "decision has only made need for congressional action on venue even more important." 162 Cong. Rec. S5066 (July 13, 2016). But since this Court granted *certiorari*, no further action has been taken. A decision in Petitioner's favor is likely to forestall further reform.

This Court has recognized "[t]he customary deference accorded the judgments of Congress," as well as the wisdom of deferring to Congress' superior fact-finding capabilities. *Rostker v. Goldberg*, 453 U.S. 57, 64 (1981). Congress is better equipped than this Court to calibrate the competing policy interests that underlie venue rules. Congress is also uniquely able to make a publicly accountable decision. Moreover, Congress can modify legislative reforms over time as required by experience and changing conditions, without the difficulties that attend reversing a ruling by this Court.

This Court should therefore either dismiss this case as improvidently granted or should affirm. Instructive here is the practice of state courts to decline proposals to alter the common law when similar proposals are under consideration by the state

legislature. *E.g.*, *Murphy v. American Home Prods. Corp.*, 448 N.E.2d 86, 90 & n. 1 (N.Y. 1983) (declining to recognize tort for wrongful discharge, in part because relevant state legislation "has been proposed but not adopted"); *O'Callaghan v. Waller & Beckwith Really Co.*, 155 N.E.2d 545, 547 (Ill. 1958) (declining to adopt rule regarding exculpatory clause in lease in light of state legislative activity on landlord-tenant issues).

This Court should adopt the same approach.

CONCLUSION

While a regime that concentrates patent cases in the Eastern District of Texas is undesirable, a return to the pre-1988 venue regime would be even worse. It would lead to renewed battles about venue divorced from practical considerations, would harm patent owners (particularly small entities like most BIO members), would prevent related claims from being efficiently litigated together, and would enable forum shopping by defendants without giving plaintiffs any of the mechanisms that defendants have today to limit – or limit the consequences of – forum shopping by plaintiffs.

This Court should leave reform efforts to Congress, which understands these concerns and has the capacity to adopt a balanced approach. It should either dismiss this case as improvidently granted or uphold the decision of the Federal Circuit.

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In the Supreme Court of the United States

TC HEARTLAND, LLC D/B/A HEARTLAND FOOD PRODUCTS GROUP,

Petitioner,

v.

KRAFT FOODS GROUP BRANDS LLC,

Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF BSA | THE SOFTWARE ALLIANCE AS *AMICUS CURIAE* IN SUPPORT OF PETITIONER

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BRIEF OF BSA | THE SOFTWARE ALLIANCE AS *AMICUS CURIAE* IN SUPPORT OF PETITIONER

INTEREST OF THE *AMICUS CURIAE*

BSA | The Software Alliance is an association of the world's leading software and hardware technology companies. On behalf of its members, BSA promotes policies that foster innovation, growth, and a competitive marketplace for commercial software and related technologies. Because patent policy is vitally important to promoting the innovation that has kept the United States at the forefront of software and hardware development, BSA members have a strong stake in the proper functioning of the U.S. patent system.[1]

BSA's members advocate a balanced approach to patent enforcement litigation. BSA members are among the Nation's leading technology companies, producing much of the hardware and software that power computer and telecommunication networks. They thus pursue patent protection for their intellectual property and, as a group, hold a large number of patents. But, because of the complexity and commercial success of their products, they are also frequently subjected to patent infringement claims by others. BSA members oppose overly expansive approaches to

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[1] Pursuant to Rule 37.6, *amicus* affirms that no counsel for a party authored this brief in whole or in part and that no person other than *amicus* and its counsel made a monetary contribution to its preparation or submission. Petitioner's blanket consent to the filing of *amicus* briefs is on file with the Clerk. Respondent's letter consenting to the filing of this brief has been filed concurrently with the brief.

venue that permit opportunistic forum-shopping by patent plaintiffs.

The members of BSA include Adobe, ANSYS, Apple, Autodesk, Bentley Systems, CA Technologies, CNC/Mastercam, DataStax, IBM, Microsoft, Oracle, salesforce.com, SAS Institute, Siemens PLM Software, Splunk, Symantec, Trimble Solutions Corporation, The MathWorks, Trend Micro and Workday.

INTRODUCTION AND SUMMARY OF ARGUMENT

The Court should reaffirm that the patent venue statute, 28 U.S.C. § 1400(b), exclusively governs venue in patent cases. The Federal Circuit's contrary view—that the general venue statute, Section 1391, supplements Section 1400(b)—is untenable as a matter of law and has given rise to an epidemic of forum-shopping by patent plaintiffs.

I. The Federal Circuit's expansive approach to patent venue enables opportunistic forum-shopping by patent litigants, which erodes public confidence in the judiciary and imposes undue financial costs and burdens on patent litigants forced to defend suits in inconvenient venues.

The Patent Act carefully calibrates the rights of patentees and those of the public. To strike that balance, Congress precluded litigants from choosing venue strategically—enacting a specific patent-venue statute, and establishing the Federal Circuit to avoid forum-shopping for regional circuit law.

Notwithstanding this plain intent, the Federal Circuit has expansively interpreted the patent venue statute. That has produced an epidemic of forum-shopping. In 2015, 44.2% of *all* patent cases were

filed in just *one* of the Nation's ninety-four judicial districts.

Patent plaintiffs flock to magnet jurisdictions because they perceive a strategic advantage. Regardless of whether such an advantage in fact exists, there is a public *perception* that the choice of forum matters. Limiting undue forum shopping is necessary to eliminate the perception that patent litigants can alter the result of litigation through choice of venue.

Beyond these perceptions, improper venue for patent cases imposes undue burdens on litigants, witnesses, and the courts alike. Restricting patent venue to those jurisdictions identified in Section 1400(b), the result Congress intended, stops these unjustified costs.

II. The Federal Circuit's interpretation of patent venue is indefensible as a legal matter. This Court has *twice* held that the patent-specific venue statute (now codified as 28 U.S.C. § 1400(b)) is the only venue statute that applies in patent cases.

The Federal Circuit held that those precedents were superseded by a 1988 amendment to the general venue statute. That is wrong: the 1988 amendment—which was purely a ministerial amendment aimed at clarifying the law—did not override this Court's prior decisions on patent venue.

And, in any event, a more recent amendment to venue law makes clear that Section 1400(b) provides the exclusive venues for patent cases. The Court accordingly should hold that Section 1400(b)—which limits venue to jurisdictions where the defendant is incorporated or has a regular and established place of business—governs venue in patent cases.

ARGUMENT

A. Venue Shopping Imposes Unjustified Costs On The Patent System And Undermines Public Confidence.

1. The Patent Act embodies Congress's determination of the proper balance between the rights of patentees and the public.

The Patent Act reflects a policy judgment by Congress about how best to balance two goals: promoting innovation through incentives to inventors, and the market competition that leads to lower prices and product improvements. That is, "[i]n crafting the patent laws, Congress struck a balance between fostering innovation and ensuring public access to discoveries." *Kimble* v. *Marvel Entm't, LLC*, 135 S. Ct. 2401, 2406-2407 (2015); see also, *e.g.*, *Bonito Boats, Inc.* v. *Thunder Craft Boats, Inc.*, 489 U.S. 141, 146 (1989) ("From their inception, the federal patent laws have embodied a careful balance between the need to promote innovation and the recognition that imitation and refinement through imitation are both necessary to invention itself and the very lifeblood of a competitive economy.").

For that reason, the Patent Act should be interpreted to effectuate Congress's calibration of the rights of patentees with other market participants. Unduly favoring either plaintiffs or defendants causes "patent law's substantive policies [to] suffer." Jeanne C. Fromer, *Patentography*, 85 N.Y.U. L. Rev. 1444, 1464-1465 (2010).

To preserve the proper balance between patentees and the public at large, there must be confidence that patent litigants cannot manipulate the legal system to gain improper advantage. "The notion that

the law ought not be manipulable and that its application ought to be uniform is a fundamental tenet of our legal system." Kimberly A. Moore, *Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation?*, 79 N.C. L. Rev. 889, 924 (2001).

Indeed, uniformity is precisely why Congress enacted a patent-specific venue statute in the first place. Congress adopted the first patent venue statute "to define the exact jurisdiction of the federal courts in actions to enforce patent rights and thus eliminate the uncertainty produced by the conflicting decisions on" patent venue. *Stonite Prods. Co.* v. *Melvin Lloyd Co.*, 315 U.S. 561, 565 (1942). Foreclosing forum-shopping was also the motivating force behind Congress's decision to create the Federal Circuit as the sole forum for appellate review of patent decisions. See S. Rep. No. 97–275, at 6 (1981) (explaining that centralized review of patent cases would promote "stability in the patent law" and thereby facilitate "technological innovation").

2. Forum-shopping by patent plaintiffs is widespread.

The Federal Circuit's expansive approach to venue in patent cases—exemplified by the decision below—has enabled pervasive forum-shopping by patent plaintiffs. And the existence of such forum-shopping demonstrates that patent litigants perceive a strategic benefit from filing suit in particular venues.

The data is dispositive. In 2013, 69.3% of all patent cases were filed in just nine of the country's 94 judicial districts, with 24.7% filed in a single district—the Eastern District of Texas. See Docket Navigator, *Year in Review 2014*, at 19 (2015),

goo.gl/mqxPyg. In 2014, 73.8% of patent cases were brought in the top nine districts, and 28.6% in the Eastern District of Texas. *Ibid.* And in 2015, 74.6% of cases were brought in the top *eight* districts—with 44.2% brought in the Eastern District of Texas alone. See Docket Navigator, *Year in Review 2015*, at 19 (2016). goo.gl/rncrlF.[2] Thus, in 2015, patent plaintiffs brought 44.2% of all patent cases in *one* district court.

Commentators have recognized, and criticized, this phenomenon. Forty-five law and economics professors wrote to the chairmen and ranking members of the House and Senate Judiciary Committees last year, urging them to address this systemic forum-shopping; they noted that, in 2015, *a single district judge* received nearly one third of all patent cases filed nationwide. See Letter from 45 Profs. to Reps. Bob Goodlatte & John Conyers & Sens. Charles Grassley & Patrick Leahy ("Professors' Letter") (July 12, 2016), goo.gl/HhnxyS. To clear that docket, they noted, the judge would have to complete "4 to 5 trials every day of the year." *Ibid.*

Other studies have confirmed the scope of forum-shopping in this context. See, *e.g.*, Colleen V. Chien & Michael Risch, Opinion, *A Patent Reform We Can All Agree On*, Wash. Post (Nov. 20, 2015), goo.gl/iKt46q (citing the "staggering concentration of patent cases in just a few federal district courts"); J.

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[2] See also, *e.g.*, Brian J. Love & James Yoon, *Predictably Expensive: A Critical Look at Patent Litigation in the Eastern District of Texas*, 20 Stan. Tech. L. Rev. 1, 6 (2017) (finding that between January 2014 and June 2016, nearly 75% of patent cases were filed in just nine judicial districts—and 36% of all cases were filed in the Eastern District of Texas).

Jonas Anderson, *Court Competition for Patent Cases*, 163 U. Pa. L. Rev. 631, 633 (2015) (observing that in the two busiest districts for patent litigation—home to nearly half of all patent cases filed in 2013—"patent litigation comprises an astounding proportion of each court's docket" and that the two busiest judges "have larger patent dockets than does the entire Central District of California").

Litigants have few tools to check forum-shopping. Defendants sued in magnet jurisdictions are rarely able to move to dismiss for lack of personal jurisdiction, even if they have few contacts with a forum. That is because the Federal Circuit has taken an exceedingly broad approach to personal jurisdiction, holding that corporations can be sued for nationwide infringement in any district in which their allegedly infringing products are sold. See *Beverly Hills Fan Co.* v. *Royal Sovereign Corp.*, 21 F.3d 1558, 1566 (Fed. Cir. 1994); see also Pet. App. 10a.

Similarly, defendants cannot rely on *forum non conveniens* to avoid litigating in inconvenient magnet jurisdictions; as now-Judge Moore observed, *forum non conveniens* cannot "curb forum shopping among federal forums because it was superseded by the transfer statute." Moore, *supra*, at 925-926 (citing 28 U.S.C. § 1404(a)). Likewise, requests to transfer venue are often ineffective. Studies indicate that patent magnet jurisdictions rarely grant transfers—and, indeed, they often do so at rates lower than other courts. See Daniel Klerman & Greg Reilly, *Forum Selling*, 89 S. Cal. L. Rev. 241, 260-263 (2016); Anderson, *supra*, at 676.

3. The risks posed by forum-shopping justify careful adherence to the patent venue statute.

Patent plaintiffs file an overwhelming share of new lawsuits in a small handful of district courts because they *perceive* that their venue selections provide some form of strategic advantage.

To begin with, some courts have adopted special procedural rules for patent cases. Anderson, *supra*, at 634. Patent plaintiffs will predictably seek to file in courts whose local rules further their litigation strategy—and they will avoid venues with rules they perceive as unfavorable. For example, some procedures speed resolution of patent cases—which often benefits plaintiffs. Klerman & Reilly, *supra*, at 265. Additionally, some courts employ case assignment procedures that allow plaintiffs to reliably predict which judge will hear their case. *Id.* at 254–57. Litigants may therefore perceive value in seeking—or avoiding—specific judges based on past rulings in analogous cases.

Some studies suggest that there are disparities among district courts as to the frequency with which summary judgment is granted. *Id.* at 251–54. In light of these perceptions, litigants believe that their choice of venue will further specific litigation strategy.

Academic and industry literature undoubtedly fuels these perceptions. One study suggested that, while the national success rate for patent plaintiffs between 1995 and 2012 was roughly 32%, this figure was as high as 57.5% in magnet jurisdictions. PricewaterhouseCoopers, *2013 Patent Litigation Study: Big Cases Make Headlines, While Patent Cases Pro-*

liferate 23 (2013), tinyurl.com/lsnjawf. Another found that alleged infringers were far less likely to win a summary judgment motion in a magnet jurisdiction for patent litigation than elsewhere—which is critical, because among cases that go to trial, "[p]atentees win over 60% of the time." Klerman & Reilly, *supra*, at 251 (citing John R. Allison et al., *Understanding the Realities of Modern Patent Litigation*, 92 Tex. L. Rev. 1769, 1790 (2014)).

To be sure, the academic literature on this point is mixed, with other studies urging "caution in concluding that one district is necessarily more patent friendly than another." See Mark A. Lemley et al., *Does Familiarity Breed Contempt Among Judges Deciding Patent Cases?*, 66 Stan. L. Rev. 1121, 1140 (2014).

In these circumstances, whether choice of venue makes a material difference in outcome is largely beside the point. What matters is that patent plaintiffs—and the public at large—have demonstrated a clear *perception* that these distinctions have real-world consequences.

There can be little dispute that "public perception of judicial integrity is 'a state interest of the highest order.'" *Williams-Yulee* v. *Fla. Bar*, 135 S. Ct. 1656, 1666 (2015) (quoting *Caperton* v. *A.T. Massey Coal Co.*, 556 U.S. 868, 889 (2009)); see also *Offutt* v. *United States*, 348 U.S. 11, 14 (1954) ("[J]ustice must satisfy the appearance of justice."). If the public believes that the law is not being applied in the same way in every case and to every party, "the normative force of all of patent law suffers significantly." Fromer, *supra*, at 1465.

The indisputable forum shopping in patent cases is eroding public confidence in administration of the Patent Act. As the forty-five professors explained to Congress, there has been a "loss of trust in the uniformity and justness of the U.S. patent law system" due to forum shopping. Professors' Letter, *supra*, at 2. Other commentators note the "waste and damage done to the reputation of the U.S. patent system" from excessive venue shopping. Chien & Risch, *supra*.

Beyond these injuries to public confidence, opportunistic venue shopping imposes real-world harms on businesses because the jurisdictions in which forum-shopping plaintiffs tend to litigate are "often * * * not the closest or most convenient." Moore, *supra*, at 925. The districts chosen often "lack[] major population, corporate, or technology centers." Klerman & Reilly, *supra*, at 248.

And they may be far from the defendants' principal places of business, which drives their costs yet higher. See Professors' Letter, *supra*, at 2 ("For accused infringers, the costs of innovation are increased when they have little or no connection to the venue and are forced to litigate from a distance."); Chien & Risch, *supra* ("[B]eing sued in an otherwise distant location can dramatically increase the costs for defendants."); Ranganath Sudarshan, *Nuisance-Value Patent Suits: An Economic Model and Proposal*, 25 Santa Clara High Tech L.J. 159, 165 (2008) (explaining that forum shopping allows patent plaintiffs to "subject[] defendants to the cost and inconvenience of having to litigate in a distant location").

As this Court has explained, by channeling cases to the proper forums, the venue rules "prevent the waste of time, energy and money" and "protect liti-

gants, witnesses and the public against unnecessary inconvenience and expense." *Van Dusen* v. *Barrack*, 376 U.S. 612, 616 (1964) (quoting *Cont'l Grain Co.* v. *Barge FBL-585*, 364 U.S. 19, 26, 27 (1960)) (internal quotation marks omitted).

Those considerations apply with special force in the context of patent law, for several reasons. For one, "[p]atent litigation is particularly complex, and particularly costly" (*FTC* v. *Actavis, Inc.*, 133 S. Ct. 2223, 2243 (2013) (Roberts, C.J., dissenting)), which means that the problems that always arise from litigating a case in an improper venue are magnified in patent cases. For another, as we explain *supra* (at p. 7), the Federal Circuit has held that a patent plaintiff can bring suit wherever the alleged product is sold, even if the sales are through a third-party retailer. It is thus far easier to forum-shop in patent cases than in other types of cases where personal jurisdiction rules are more strict.

Moreover, excessive litigation regarding venue wastes public and private resources alike. Given that the choice of forum is widely perceived to have an impact on the results of patent cases, an alleged infringer will often seek a transfer of venue when the plaintiff files in a magnet jurisdiction. "[R]esources are wasted in th[is] fight over the proper venue regardless of who ultimately wins." Moore, *supra*, at 926; see also Fromer, *supra*, at 1465 (noting the "waste [of] resources when litigants fight over the appropriate forum"). Not only do the private litigants bear these litigation costs, but the courts are forced to expend considerable time on preliminary venue determinations. Adherence to Section 1400(b)'s selection of venue for patent cases obviates the need for this burdensome motions practice.

B. Section 1400(b) Restricts Patent Venue To Jurisdictions Where The Defendant Is Incorporated Or Has A Regular And Established Place Of Business.

Although the Federal Circuit acknowledges that 28 U.S.C. § 1400(b), the patent venue statute, is the "specific venue provision pertaining to patent infringement suits" (Pet. App. 7a), it holds that Section 1400(b) is supplemented by 28 U.S.C. § 1391(c), which authorizes venue wherever a defendant corporation does business.

That reading of Section 1400(b) is wrong: as this Court has held several times, Section 1400(b) is the *exclusive* source of venue law in patent cases, and it authorizes venue in only the defendant's State of incorporation or in a jurisdiction where the defendant has committed acts of alleged infringement and has a regular and established place of business.

1. This Court has repeatedly held that Section 1400(b) limits patent venue.

For more than a century, Congress has employed a targeted, patent-specific statute to regulate venue in patent cases. And throughout that time, this Court has held that this patent-specific statute governs venue in patent cases, to the exclusion of the general venue statute.

Congress adopted the first patent-specific venue statute in 1897, in response to decisions of this Court and lower courts holding that patent suits were not subject to the general venue laws and that, accordingly, "infringers could be sued wherever they could be found." *Stonite Prods.*, 315 U.S. at 565. The patent venue provision of the Act of 1897, which became Section 48 of the Judicial Code, permitted suit only

in the "district of which the defendant is an inhabitant or in any district in which the defendant shall have committed acts of infringement and have a regular and established place of business." *Id.* at 563.

For a time, it was unclear whether Section 48 alone governed venue in patent cases or whether it was supplemented by general venue statutes elsewhere in the Judicial Code. But in *Stonite Products*, this Court held that Section 48 restricted venue in patent cases.

There, the respondent contended that Section 52 of the Judicial Code, a general venue statute applying in multi-defendant cases, "applies to patent infringement suits because it antedates Section 48 * * * and is consistent with and complementary to Section 48." 315 U.S. at 566. But the Court disagreed, observing that Section 48 was a "a restrictive measure, limiting a prior, broader venue." *Id.* at 566. It therefore concluded that Section 48 was meant to be the "exclusive provision controlling venue in patent infringement proceedings." *Id.* at 563.

In 1948, Congress recodified federal statutory law in the U.S. Code. Because the recodification made certain linguistic changes to the general and patent venue statutes, some patent litigants asserted that *Stonite Products* was no longer good law. But in *Fourco Glass Co.* v. *Transmirra Products Corp.*, 353 U.S. 222, 228 (1957), this Court rejected that argument, holding that the recodification had "made no substantive change" in the patent venue statute, now codified as 28 U.S.C. § 1400(b).

The respondent in *Fourco* argued that the new 28 U.S.C. § 1391(c), which generally defined corporate residence "for venue purposes," was "clear and

unambiguous and that its terms include all actions—including patent infringement actions—against corporations, and, therefore, that the statute should be read with, and as supplementing, [Section] 1400(b) in patent infringement actions." 353 U.S. at 223, 228.

But the *Fourco* Court refused to find the patent venue statute supplemented by the general provisions of Section 1391(c). The Court held that "[Section] 1391(c) is a general corporation venue statute, whereas [Section] 1400(b) is a special venue statute applicable, specifically, to all defendants in a particular type of actions, i.e., patent infringement actions." 353 U.S. at 228. The Court considered it "settled" that in such a circumstance, "[s]pecific terms prevail over the general in the same or another statute which otherwise might be controlling." *Id.* at 228–29 (quoting *Clifford F. MacEvoy Co.* v. *United States*, 322 U.S. 102, 107 (1944)). Thus, it concluded, Section 1400(b) "is the sole and exclusive provision controlling venue in patent infringement actions, and * * * is not to be supplemented by the provisions of" Section 1391(c). *Id.* at 229.

2. Congress's 1988 amendment to Section 1391 did not abrogate Fourco.

In *VE Holding Corp.* v. *Johnson Gas Appliance Co.*, 917 F.2d 1574, 1579 (Fed. Cir. 1990), the Federal Circuit held that a 1988 amendment to Section 1391(c) undermined *Fourco*. That conclusion is wrong. The 1988 amendment was a housekeeping measure designed to clarify the law—not to overturn decades of settled precedent excluding patent cases from the ambit of Section 1391.

The 1988 amendment modified Section 1391(c) to read, in pertinent part: "*For purposes of venue under*

this chapter, a defendant that is a corporation shall be deemed to reside in any judicial district in which it is subject to personal jurisdiction at the time the action is commenced." 28 U.S.C. § 1391(c) (1988) (emphasis added); see also Pet. 3 (comparing pre-1988 and 1988 versions of Section 1391(c)). Based on this change in wording, the Federal Circuit concluded that *Fourco* was no longer good law and the question whether the "new" Section 1391(c) governed venue in patent cases was a "matter of first impression." 917 F.2d at 1579.

The Federal Circuit then held that the new Section 1391(c) applied to patent cases. It reasoned that "[t]he phrase 'this chapter' [in Section 1391(c)] refers to chapter 87 of title 28, which encompasses §§ 1391-1412, and thus includes § 1400(b)." *VE Holding*, 917 F.2d at 1578. The court concluded that in using the phrase "this chapter," Section 1391(c) "expressly reads itself into the specific statute," Section 1400(b). *Id.* at 1580.

But that reading of the statute does not withstand scrutiny. As this Court has held time and again, "[u]nder established canons of statutory construction, 'it will not be inferred that Congress, in revising and consolidating the laws, intended to change their effect unless such intention is clearly expressed.'" *Finley* v. *United States*, 490 U.S. 545, 554 (1989) (quoting *Anderson* v. *Pac. Coast S.S. Co.*, 225 U.S. 187, 199 (1912)). And there is no clear expression of intent in the 1988 amendment to change the law of patent venue. The Federal Circuit conceded as much, observing that there was "no specific legislative history regarding the amendment's effect on § 1400(b)." *VE Holding*, 917 F.2d at 1581.

Indeed, what legislative history there is suggests that the amendment did *not* mean to make any change to the law of patent venue. Congress described the amendment to Section 1391(c) as one of a number of "miscellaneous provisions dealing with relatively minor discrete proposals." H.R. Rep. No. 100–889, at 66 (1988). The reason for the amendment was to alleviate confusion about how to apply the statute in certain contexts, such as when determining "venue in multidistrict states" (*VE Holding*, 917 F.2d at 1578)—not to address any perceived problem with venue in patent litigation. The 1988 amendment to Section 1391(c) accordingly cannot be read to disturb *Fourco*'s holding that Section 1400(b) alone governs venue in patent cases.

3. The 2011 amendment to Section 1391 confirms that Section 1391(c) does not apply in patent cases.

VE Holding was wrong when it was decided. But even if *VE Holding*'s reading of the 1988 amendment to Section 1391(c) had been defensible at the time, it would have been overridden by Congress's subsequent amendment to Section 1391 in 2011—which makes clear that Section 1391 does not apply in patent cases.

In 2011, the Federal Courts Jurisdiction and Clarification Act amended Section 1391(a) to read, "*Except as otherwise provided by law*[,] * * * (1) this section shall govern the venue of all civil actions brought in district courts of the United States." 28 U.S.C. § 1391(a) (emphasis added). The import of this added language is plain: it establishes that Section 1391 governs venue generally but does *not* apply in contexts (such as patent cases) where another, more specific provision of law supplies a venue rule.

This Court adopted that very reading of Section 1391 in *Atlantic Marine Construction Co.* v. *U.S. District Court for the Western District of Texas*, 134 S. Ct. 568 (2013). There, the Court explained that "Section 1391 governs 'venue generally,' that is, in cases where a more specific venue provision does not apply." *Id.* at 577 n.2. And the Court cited Section 1400 as an example of one such "specific venue provision," noting that Section 1400 "identif[ies] proper venue for * * * patent suits." *Ibid.*

Atlantic Marine thus confirms that the relationship between Section 1391 and Section 1400(b) is the one recognized in *Fourco*: Section 1400(b), the more specific statute, displaces Section 1391 in the patent context.

In the decision below, the Federal Circuit dismissed both the 2011 amendment to Section 1391 and this Court's explanation of the amendment in *Atlantic Marine*. It argued that while Section 1400(b) governs venue in patent cases, Section 1400(b) does not define what "resides" means "when the defendant is a corporation." Pet. App. 7a. The definition of corporate residence in patent cases, the court held, is supplied by Section 1391(c), which it argued supplanted *Fourco*'s "common law definition of corporate residence for patent cases" in 1988. *Id.* at 6a.

But that reasoning is erroneous for two reasons. *First*, *Fourco* did not announce a "common law" rule of patent venue. The decision interpreted the language of Section 1400(b) and held that under that language, a corporation's residence for purposes of patent venue was limited to its State of incorporation. *Fourco*, 353 U.S. at 226. Later decisions of the Court likewise interpreted the statutory language—they did not purport to rely on "common law." See,

e.g., *Brunette Mach. Works, Ltd.* v. *Kockum Indus., Inc.*, 406 U.S. 706, 707 n.2 (1972) ("[T]he residence of a corporation for purposes of [Section] 1400(b) is its place of incorporation.").

Under *Fourco*, therefore, Section 1400(b) supplies its own definition of corporate residence. That reading of Section 1400(b) was not, and could not have been, undermined by the 1988 amendment to Section 1391.

Second, even leaving aside this Court's holdings in *Fourco* and *Brunette* that Section 1400(b) supplies its own definition of corporate residence, the broad definition of corporate residence in Section 1391(c) is incompatible with the plain text of Section 1400(b). Section 1400(b) provides for venue in "the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business." 28 U.S.C. § 1400(b). By using the definite article "the" to refer to the defendant's district of residence, Section 1400(b) makes clear that there is only *one* such district. See, *e.g.*, *Rumsfeld* v. *Padilla*, 542 U.S. 426, 434 (2004) ("The consistent use of the definite article in reference to the custodian indicates that there is generally only one proper respondent to a given prisoner's habeas petition."). That rules out the possibility that a patent defendant can be deemed to "reside[]" wherever it does business.

Moreover, if a defendant "resided," for purposes of Section 1400(b), wherever it did business, the second clause of Section 1400(b) (referring to a district in which the defendant has a "regular and established place of business") would be superfluous because any district in which the defendant did *any* business would be considered its residence. This

Court is "'reluctant to treat statutory terms as surplusage' in any setting"—"especially * * * when the term occupies so pivotal a place in the statutory scheme." *Duncan* v. *Walker*, 533 U.S. 167, 174 (2001) (alteration omitted) (quoting *Babbitt* v. *Sweet Home Chapter Communities for a Great Or.*, 515 U.S. 687, 698 (1995)). The only logical reading of Section 1400(b), therefore, is that a corporation's "residence" for purposes of a patent case is limited to its State of incorporation.

* * *

The Federal Circuit's construction of Section 1400(b) is untenable as a matter of statutory interpretation, and it has led to intolerable consequences—opportunistic forum shopping by patent plaintiffs, resulting in a loss of public confidence in the basic fairness of the patent system and potential disruption of Congress's substantive patent policies. It should be rejected.

CONCLUSION

The judgment of the court of appeals should be reversed.

Respectfully submitted.

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In the
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TC HEARTLAND LLC,
Petitioner,

v.

KRAFT FOODS GROUP BRANDS LLC,
Respondent.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF *AMICUS CURIAE* PAPOOL S. CHAUDHARI IN SUPPORT OF RESPONDENT KRAFT FOODS GROUP BRANDS LLC AND AFFIRMANCE

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Venue Equity and Non-Uniformity Elimination (VENUE) Act of 2016, S. 2733, 114th Cong. 16

Interest of the *Amicus Curiae*[1]

Papool S. Chaudhari is a sole practitioner who resides and practices in the Eastern District of Texas. *Amicus* has over 13 years of experience in patent litigation matters, having represented both plaintiffs and defendants. *Amicus* is admitted to practice law in the States of Texas, California, Missouri, and the following Federal Courts: The Eastern, Northern, Western and Southern Districts of Texas; the Northern, Central and Eastern Districts of California; the Court of Appeals for the Federal Circuit; and the Supreme Court of the United States.

Petitioner and its *Amici* have improperly attempted to make the case at bar a referendum on patent infringement suits being filed in the Eastern District of Texas. Although this is not actually the subject of the case at bar, given the extent to which Petitioner and its *Amici* have referenced the Eastern District of Texas, *Amicus* respectfully submits that it is appropriate for an actual practitioner in the Eastern District of Texas to submit an *amicus curiae* brief.

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[1] Pursuant to S. Ct. R. 37.6, *Amicus Curiae* represents that he authored this brief in its entirety and that none of the parties or their counsel, nor any other person or entity other than *Amicus*, made a monetary contribution intended to fund the preparation or submission of this brief. Pursuant to S. Ct. R. 37.3(a), *Amicus Curiae* represents that Petitioner filed a general consent to the filing of *amici curiae* briefs, that Respondent consented to the filing of this brief, and that a copy of Respondent's consent is being filed with this brief.

Summary of Argument

1. The plain reading of 28 U.S.C. § 1391(c) and 28 U.S.C. § 1400(b) unambiguously provide that any patent infringement action can be brought where a District Court has personal jurisdiction over the defendant. "Our precedents make clear that the starting point for our analysis is the statutory text." *Desert Palace, Inc. v. Costa*, 530 U.S. 90, 98 (2003) (citing *Connecticut Nat'l Bank v. Germain*, 503 U.S. 249, 253-254 (1992)). "And where, as here, the words of statute are unambiguous, the '**judicial inquiry is complete.**'" *Desert Palace*, 530 U.S. at 98 (quoting *Rubin v. United States*, 449 U.S. 424, 430 (1981)) (emphasis added).

The current and applicable 28 U.S.C. § 1391(c), on its face, applies to *all* venue purposes and deems that a defendant resides in any judicial district where the court has personal jurisdiction over the defendant. 28 U.S.C. § 1400(b) unambiguously does two things. In the first clause of § 1400(b), it reiterates the rule from 28 U.S.C. § 1391(c)(2), namely that a patent infringement suit, just as any other civil action, *may* be brought in a judicial district where the defendant resides, with "resides" being mandated by the statute to refer to any judicial district where the court has personal jurisdiction over the defendant for that civil action. The second clause of § 1400(b), regarding the acts of infringement in the regular and established place of business, provides a limited exception to the rule set forth in 28 U.S.C. § 1391(c)(2).

These statutes as currently written are unambiguous, and, thus, the judicial inquiry from the Court must end here and the Court must respectfully hold that these statutes are to be as unambiguously applied as they are unambiguously written.

2. Other venue statutes make it clear that 28 U.S.C. § 1400(b) is not the sole exclusive patent venue statute. In using language such as "shall be brought only," "may be brought only," and "shall be brought," 28 U.S.C. §§ 1398, 1399 and 1403 unambiguously require that those actions be brought in specific judicial districts. In sharp contrast, 28 U.S.C. § 1400(b) does not use the phrases "may be brought only," "shall be brought only," or "must." Instead it only uses the word "may," which is not compulsory or exclusive language.

If Congress intends for 28 U.S.C. § 1400(b) to be the exclusive patent venue statute, then Congress, and Congress alone, can change the wording to use "shall" or "may be brought only in," as it has done with these other venue statutes. Currently, however, this is not the case with 28 U.S.C. § 1400(b). Even if Congress changes the language in 28 U.S.C. § 1400(b) to make it the sole exclusive patent venue statute, 28 U.S.C. § 1400(b) contains no definition of "resides," and 28 U.S.C. § 1391(c) still reads "for all venue purposes." Thus, merely amending the wording to "shall" or "may be brought only in" changes nothing, but Congress has the power to completely re-write 28 U.S.C. § 1391(c) and 28 U.S.C. § 1400(b) if it so chooses. That is a power exclusively held by Congress, however, not, respectfully, the Court.

3. The *Fourco* and *VE Holding* decisions have no relevance or applicability here, and, thus, must be disregarded. As neither of these cases conducted a statutory analysis of both 28 U.S.C. § 1391(c)(2) and 28 U.S.C. § 1400(b) as they are written today, these cases should be disregarded by the Court.

Rather than begin with analysis of the text and end when the language is unambiguous, Petitioner and its *Amici* advocate that the Court begin with case law that analyzed outdated versions of the statutes, and then claim that the doctrine of *stare decisis* compels the Court to interpret the current version of the statutes in accordance with the outdated case law. This is a fundamental contradiction with how this Court conducts statutory interpretation. "We have said time and again that courts must presume a legislature says in a statute what it means and means in a statute what it says there." *Connecticut Nat'l Bank*, 503 U.S. at 253-54 (citing, e.g., *United States v. Ron Pair Enterprises, Inc.*, 489 U.S. 235, 241-242 (1989); *United States v. Goldenberg*, 168 U.S. 95, 102-103 (1897); *Oneale v. Thornton*, 6 Cranch 53, 68 (1810)). Holding that decisions analyzing outdated versions of statutes trump the unambiguous language of current Laws of the United States—"the supreme Law of the Land"—arguably violates the Supremacy Clause. U.S. Const., art. VI, cl. 2.

Were the Court to hold that its 1957 decision in *Fourco* applied to the current versions of 28 U.S.C. § 1391(c)(2) and 28 U.S.C. § 1400(b), this would mean that the Congressional amendments to the statutes in 1988 and 2011 have zero meaning and effect. It would, in essence, mean that the Court is inserting itself into the legislative process by overruling the

actions of Congress in favor of its own analysis that was conducted on outdated versions of the statutes. It would revert 28 U.S.C. § 1391(c)(2) and 28 U.S.C. § 1400(b) to their 1957 versions, and override the Congressional amendments of 1988 and 2011. Such legislative action is not within the power of the Court as granted by Article III of the Constitution.

4. The 2011 Amendments did nothing to establish that the outdated *Fourco* decision is somehow good law today. Petitioner makes the argument that because the 2011 Congressional amendments including a "harmonizing" provision in 28 U.S.C. § 1391(a), that this represents Congress' recognition of *Fourco* as controlling law in the realm of patent venue. Petitioner argues that "law," as mentioned in the statute, also refers to common law, and, thus, *Fourco*. *See* Petitioner's Brief at 39-42.

This analysis, however, is flawed. It wholly ignores the fact that Congress amended these venue statues in 1988. In 1988, 28 U.S.C. § 1391(c) was amended as follows:

> **For the purposes of venue under this chapter,** a defendant that is a corporation shall be deemed to reside in any judicial district in which it is subject to personal jurisdiction at the time the action is commenced . . . .

28 U.S.C. § 1391(c) (1988), Judicial Improvements and Access to Justice Act, Pub. L. 100-702 § 1013, 102 Stat. 4642, 4669 (1988) (emphasis added). As there is no question that 28 U.S.C. § 1400 is in the same chapter as 28 U.S.C. § 1391, the 1988 amendments clearly set forth that residency for patent infringement suits was governed by the 1988 28

U.S.C. § 1391(c). Therefore, this 1988 amendment overruled *Fourco*, which Congress is permitted to do in regards to statutory questions.

Even if it was accepted that 28 U.S.C. § 1400(b) is a "special venue rule that governs under [a] particular Federal statute", as discussed above, the statute on its face reiterates the rule from 28 U.S.C. § 1391(c) in its first clause using the suggestive word "may" and itself references the term "resides" which is defined by § 1391(c), and then codifies a special exception to that general rule in the second clause. Nowhere is the 1957 *Fourco* holding, having already been nullified by the 1988 amendments, somehow resurrected by the "harmonizing" provision of current 28 U.S.C. § 1391(a).

5. Public Policy arguments for how the laws should read must be directed to Congress, not the Court. Much of the argument made by Petitioner and its *Amici* focuses on public policy, and in specific, the alleged "problem" of too many patent infringement suits being filed in the Eastern District of Texas. This Court is an Article III court of extremely limited jurisdiction. The case at bar only concerns answering the narrow question of whether this case should proceed in Delaware or Indiana through a statutory analysis of the current 28 U.S.C. § 1391(c)(2) and 28 U.S.C. § 1400(b). Since the language of these statutes is unambiguous, the judicial inquiry must end there. The Court lacks authority to resolve the question of whether too many patent infringement suits are filed in the Eastern District of Texas. The Court *only* has authority under Article III of the Constitution to adjudicate the "case or controversy" between the Petitioner and Respondent, and nothing else. *Amicus*

submits, and respectfully suggests, that the Court use this case as a prime example of cases that should never end up before this Court and to remind Petitioner and its *Amici* that their concerns regarding patent venue reform are more appropriately taken up with Congress.

Argument

Despite the rhetoric from Petitioner and its *amici*, the case at bar is not *Fortune 500 Corporations and the Electronic Frontier Foundation*[2] *v. The Eastern District of Texas*. The case that has invoked this Court's limited Article III jurisdiction, *TC Heartland LLC v. Kraft Foods Brands Group LLC*, concerns a narrow venue dispute regarding the statutory interpretation, application and effect of the current statutes 28 U.S.C. § 1391(c) and 28 U.S.C. § 1400(b). Under a plain reading of these current statutes, *Amicus* respectfully submits that the Court can come to no other decision but to affirm the holding of the Court of Appeals of the Federal Circuit.

I. The plain reading of 28 U.S.C. § 1391(c) and 28 U.S.C. § 1400(b) unambiguously provide that any patent infringement action can be brought where a District Court has personal jurisdiction over the defendant

This Court has long held that any statutory analysis must begin with the very words of the statute(s) themselves and must end with the words if the words are clear. "Our precedents make clear that the starting point for our analysis is the statutory text." *Desert Palace, Inc. v. Costa*, 530 U.S. 90, 98

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[2] *Amicus curiae* briefs make for strange bedfellows.

(2003) (citing *Connecticut Nat'l Bank v. Germain*, 503 U.S. 249, 253-254 (1992)). "And where, as here, the words of statute are unambiguous, the **'judicial inquiry is complete.'**" *Desert Palace*, 530 U.S. at 98 (quoting *Rubin v. United States*, 449 U.S. 424, 430 (1981)) (emphasis added).

The applicable current 28 U.S.C. § 1391(c)(2) reads as follows:

> (c) Residency. –For **all** venue purposes—
>
> > (2) an entity with the capacity to sue and be sued in its common name under applicable law, whether or not incorporated, shall be deemed to reside, if a defendant, in any judicial district in which such defendant is subject to the court's personal jurisdiction with respect to the civil action in question, and, if a plaintiff, only in the judicial district in which it maintains its principal place of business.

28 U.S.C. § 1391(c)(2) (emphasis added). This statute unambiguously provides that for *all* venue purposes, a defendant is deemed to "reside" in any judicial district where a court has personal jurisdiction over that defendant in regards to that particular civil action.

The applicable current 28 U.S.C. § 1400(b) reads as follows:

> (b) Any civil for patent infringement **may** be brought in the judicial district where the defendant **resides**, or where the defendant has committed acts of infringement and has a regular and established place of business.

28 U.S.C. § 1400(b) (emphasis added). This statute unambiguously states two things. The first clause states that patent infringement actions *may* be brought in the judicial district where the defendant *resides*, and the second adds an exception that the defendant may also be sued for patent infringement in any district where it has committed acts of infringement and has a "regular and established place of business."

28 U.S.C. § 1400(b) unambiguously does two things. In the first clause of § 1400(b), it reiterates the rule from 28 U.S.C. § 1391(c)(2), namely that a patent infringement suit, just as any other civil action, may be brought in a judicial district where the defendant resides, with "resides" being mandated by the statute to refer to any judicial district where the court has personal jurisdiction over the defendant for that civil action. The second clause of § 1400(b), regarding the acts of infringement in the regular and established place of business, provides a limited exception to the rule set forth in 28 U.S.C. § 1391(c)(2).

How these two statutes as currently written work to govern patent venue is best explained in an example: Consider a widget manufacturer ("Widget Corporation"), a Missouri Corporation with only one office, its principal place of business, located in St. Joseph's, Missouri. Every Saturday, Widget Corporation sends several salespersons to Topeka, Kansas, to sell widgets at a booth at the local Farmer's Market. WidgetsRUs LLC ("WidgetsRUs") is another entity that owns patents covering widgets and comes to learn of Widget Corporation's infringing manufacture and sales. WidgetsRUs has decided to

sue Widget Corporation for patent infringement, and is considering where to sue them.

Under 28 U.S.C. § 1391(c)(2), and the first clause of 28 U.S.C. § 1400(b), Widget Corporation may be sued in federal district court in Missouri, because Widget Corporation, being a Missouri Corporation with a Missouri Principal Place of Business, is without question subject to the personal jurisdiction of the Missouri federal court, and thus, "resides" in Missouri for venue purposes.

But what of suing Widget Corporation in the District of Kansas? The company is likely not subject to personal jurisdiction in Kansas, so the company likely cannot sued in Kansas under 28 U.S.C. § 1391(c)(2), or the first clause of 28 U.S.C. § 1400(b). The second clause of 28 U.S.C. § 1400(b), however, allows for patent infringement suits in judicial districts where the defendant has committed acts of infringement and has a regular and established place of business. Under this part of the statute, Widget Corporation might be able to be sued in Kansas federal court, if their weekly Farmer's Market stand (where they sell the infringing widgets) is deemed to be "a regular and established place of business."

The point of the example is that it illustrates precisely what the currently written 28 U.S.C. § 1391(c)(2) and 28 U.S.C. § 1400(b) unambiguously do on their face. And given that these statutes as currently written are unambiguous, the judicial inquiry from the Court must end here and the Court must respectfully hold that these statutes are to be as unambiguously applied as they are unambiguously written.

II. Other venue statutes make it clear that 28 U.S.C. § 1400(b) is not the sole exclusive patent venue statute

Not only is there unambiguously nothing in the text of 28 U.S.C. § 1400(b) that makes the statute operate as the sole exclusive patent venue statute, but a simple comparison of 28 U.S.C. § 1400(b) to other select venue statutes demonstrates that, on its face, 28 U.S.C. § 1400(b) is not an exclusive venue statute.

For example, 28 U.S.C. § 1398 reads:

> (a) Except as otherwise provided by law, a civil action brought under section 1336(a) of this title **shall be brought only** in a judicial district in which any of the parties bringing the action resides or has its principal office.
>
> (b) A civil action to enforce, enjoin, set aside, annul, or suspend, in whole or in part, an order of the Interstate Commerce Commission made pursuant to the referral of a question or issue by a district court or by the United States Court of Federal Claims, **shall be brought only** in the court which referred the question or issue.

(emphasis added).

As another example, 28 U.S.C. § 1399 reads:

> Any civil action by any tenant in common or joint tenant for the partition of lands, where the United States is one of the tenants in common or joint tenants, **may be brought**

> **only** in the judicial district where such lands are located or, if located in different districts in the same State, in any of such districts.

(emphasis added).

Finally, 28 U.S.C. § 1403 reads:

> Proceedings to condemn real estate for the use of the United States or its departments or agencies **shall be brought** in the district court of the district where the land is located or, if located in different districts of the same State, in any of such districts.

(emphasis added).

In using language such as "shall be brought only," "may be brought only," and "shall be brought," 28 U.S.C. §§ 1398, 1399 and 1403 unambiguously require that those actions be brought in specific judicial districts. In sharp contrast, 28 U.S.C. § 1400(b) does not use the phrases "may be brought only," "shall be brought only," or "must." It only uses the word "may," which is not compulsory or exclusive language.

The question presented in this case is as follows: "Whether 28 U.S.C. § 1400(b) is the sole and exclusive provision governing venue in patent infringement actions and is not to be supplemented by 28 U.S.C. § 1391(c)?" How can 28 U.S.C. § 1400(b) be the sole and exclusive provision governing venue in patent cases when 28 U.S.C. § 1400(b) unambiguously contains no "exclusive" language and there are other venue statutes discussed above that actually do employ such exclusive language? Congress has made it clear by the plain text that 28 U.S.C. §§ 1398, 1399 and 1403 are exclusive venue statutes and 28 U.S.C. § 1400(b) is not.

If Congress intends for 28 U.S.C. § 1400(b) to be the exclusive patent venue statute, then Congress, and Congress alone, can change the wording to use "shall", "must", or "may be brought only in", as it has done with these other venue statutes. Currently, however, this is not the case with 28 U.S.C. § 1400(b).

Even if Congress changes the language in 28 U.S.C. § 1400(b) to make it the sole exclusive patent venue statute, 28 U.S.C. § 1400(b) contains no definition of "resides," and 28 U.S.C. § 1391(c) still reads "for all venue purposes." Federal Courts have consistently applied this to other specialized venue statutes. *See Aucoin v. Prudential Ins. Co. of Am.*, 959 F. Supp. 2d 185, 190 (D.D.C. 2013) (reading § 1391(c)'s definition of residence into 29 U.S.C. § 1132(e)(2), a special venue statute for ERISA actions); *Virts v. Prudential Life Ins. Co.*, 950 F. Supp. 2d 101, 105 (D.D.C. 2013) (same); *McHenry v. Astrue*, No. 12-2512-SAC, 2012 WL 6561540, at *2 (D. Kan. Dec. 14, 2012) (holding that because 42 U.S.C. § 405(g), a special venue statute for social security actions, does not define "resides," "the court will look to 28 U.S.C. § 1391, which governs the venue of all civil actions brought in federal court"). Thus, merely amending the wording to "shall", "must", or "may be brought only in" changes nothing, but Congress has the power to completely re-write 28 U.S.C. § 1391(c) and 28 U.S.C. § 1400(b) if it so chooses. That is a power exclusively held by Congress—not, respectfully, this Court.

III. The *Fourco* and *VE Holding* decisions have no relevance or applicability here, and, thus, must be disregarded

Petitioner and its *Amici* focus on this Court's holding in *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222 (1957), and likewise, Respondent focuses on the Federal Circuit's holding in *VE Holding Corp. v. Johnson Glass Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990). Since neither of these cases conducted a statutory analysis of both 28 U.S.C. § 1391(c)(2) and 28 U.S.C. § 1400(b) as they are written today,[3] the holdings in these decisions, and the rationale used, have no applicability here.

As noted above, statutory analysis begins with the text and if the words are unambiguous, "the judicial inquiry is complete." *Desert Palace*, 530 U.S. at 98 (quoting *Rubin v. United States*, 449 U.S. 424, 430 (1981)). Since, as discussed in Section I, *supra*, the current 28 U.S.C. § 1391(c)(2) and 28 U.S.C. § 1400(b) are clear and unambiguous, that necessarily must be the end of the judicial inquiry. *Fourco* and *VE Holding* are necessarily inapplicable to the statutory analysis of 28 U.S.C. § 1391(c)(2) and 28 U.S.C. § 1400(b) because they did not consider the statutes as they currently read today.

Petitioner and its *Amici*, in essence, are asking the Court to change how it interprets statutes. Rather than start with analysis of the text and end when the language is unambiguous, Petitioner and

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[3] Although the text of 28 U.S.C. § 1400(b) was the same as it was in the *Fourco* case, 28 U.S.C. § 1391(c)(2) has been amended several times since the *Fourco* decision, and has also been amended following the *VE Holding* decision.

its *Amici* advocate that the Court **begin** with case law that analyzed outdated versions of the statutes, and then claim that the doctrine of *stare decisis* compels the Court to interpret the current version of the statutes in accordance with the outdated case law.[4] This is not only improper, but it makes a mockery of the Court, the judicial process, and the legislative process. Statutes are legislative action that say what they mean, and mean what they say. "We have said time and again that courts must presume a legislature says in a statute what it means and means in a statute what it says there." *Connecticut Nat'l Bank*, 503 U.S. at 253-54 (citing, e.g., *United States v. Ron Pair Enterprises, Inc.*, 489 U.S. 235, 241-242 (1989); *United States v. Goldenberg*, 168 U.S. 95, 102-103 (1897); *Oneale v. Thornton*, 6 Cranch 53, 68 (1810)).

To begin a statutory analysis with case law, especially outdated case law that analyzed an older version of the statutes, would serve to nullify the power and effect of current statutes. Holding that decisions analyzing outdated versions of statutes trump the unambiguous language of current Laws of the United States—"the supreme Law of the Land"—

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[4] "Considerations of *stare decisis* have special force in the area of statutory interpretation, for here, unlike in the context of constitutional interpretation, the legislative power is implicated, and Congress remains free to alter what we have done." *Patterson v. McLean Credit Union*, 491 U.S. 164, 172-73 (1989) (citing, e.g., *Square D Co. v. Niagara Frontier Tariff Bureau, Inc.*, 476 U.S. 409, 424 (1986); *Illinois Brick Co. v. Illinois*, 431 U.S. 720, 736 (1977)). Congress altered the Court's holding in *Fourco* with the 1988 and 2011 amendments to the venue statutes. Thus, the Court is not bound by *stare decisis* here in its statutory interpretation of the current 28 U.S.C. § 1391(c)(2) and 28 U.S.C. § 1400(b).

arguably violates the Supremacy Clause. U.S. Const., art. VI, cl. 2.

Moreover, were the Court to hold that its 1957 decision in *Fourco* applied to the current versions of 28 U.S.C. § 1391(c)(2) and 28 U.S.C. § 1400(b), this would mean that the Congressional amendments to the statutes in 1988 and 2011 have zero meaning and effect. It would, in essence, mean that the Court is inserting itself into the legislative process by overruling the actions of Congress in favor of its own analysis that was conducted on outdated versions of the statutes. It would revert 28 U.S.C. § 1391(c)(2) and 28 U.S.C. § 1400(b) to their 1957 versions, and override the Congressional amendments of 1988 and 2011. Such legislative action is not within the power of the Court as granted by Article III of the Constitution. Again, if Congress wishes engage in such legislative action, it is free to do so. In fact, Congress introduced a bill last year that would restrict the choice of forum for patent infringement suits.[5] This ability to restrict—by legislation—where a patent owner can file suit is, however, beyond the province of the Court.

IV. The 2011 Amendments did nothing to establish that the outdated *Fourco* decision is somehow good law today

Petitioner makes the argument that because the 2011 Congressional amendments including a "harmonizing" provision in 28 U.S.C. § 1391(a), that this represents Congress' recognition of *Fourco* as

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[5] *See* Venue Equity and Non-Uniformity Elimination (VENUE) Act of 2016, S. 2733, 114th Cong.

controlling law in the realm of patent venue. *See* Petitioner's Brief at 39-42.

28 U.S.C. § 1391(a), following the 2011 amendments, reads as follows:

> (a) Applicability of Section. —**Except as otherwise provided by law**—
>
> (1) This section shall govern the venue of all civil actions brought in district courts of the United States; and
>
> (2) The proper venue for a civil action shall be determined without regard to whether the action is local or transitory in nature.

(emphasis added).

Petitioner argues that "law," as mentioned in the statute above, also refers to common law, and, thus, *Fourco*. *See* Petitioner's Brief at 39-42. According to Petitioner, this is Congressional recognition that the *Fourco* decision is good law today. *See id.*

This analysis is flawed. It wholly ignores the fact that Congress amended these venue statues in 1988. In 1988, 28 U.S.C. § 1391(c) was amended as follows:

> **For the purposes of venue under this chapter,** a defendant that is a corporation shall be deemed to reside in any judicial district in which it is subject to personal jurisdiction at the time the action is commenced
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> . . . .

28 U.S.C. § 1391(c) (1988), Judicial Improvements and Access to Justice Act, Pub. L. 100-702 § 1013, 102 Stat. 4642, 4669 (1988) (emphasis added). As there is no question that 28 U.S.C. § 1400 is in the same chapter as 28 U.S.C. § 1391, the 1988 amendments clearly set forth that residency for patent infringement suits was governed by the 1988 28 U.S.C. § 1391(c). Therefore, this 1988 amendment overruled *Fourco*, which Congress is permitted to do in regards to statutory questions.[6]

When Congress amended these statutes again in 2011, the addition of "[e]xcept as otherwise provided by law" in 28 U.S.C. § 1391(a) did nothing to bring back the *Fourco* decision, because the *Fourco* decision had not been good law since at least 1988.

Petitioner notes that there is one legislative report on the 2011 act and it reads as follows:

> New paragraph 1391(a)(1) would follow current law in providing the general requirements for venue choices, but would not displace the special venue rules that govern under particular Federal statutes.

H.R. REP. NO. 112-10, at 18 (2011); Petitioner's Brief at 39. This House Report indicates that "except as otherwise provided by law" in the newly enacted version of 28 U.S.C. § 1391(a) referred to a list of

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[6] Indeed, Petitioner asserts "[u]nder this Court's precedents, *Fourco*'s interpretation of § 1400(b) remained good law in 2011 because it had never been overruled by this Court." Petitioner's Brief at 41. In making this assertion, Petitioner fails to appreciate that Congress can, and did, overrule the *Fourco* decision with the 1988 amendment to 28 U.S.C. § 1391(c). *See* footnote 4, *supra*.

statutes complied by the American Law Institute,[7] which notably did not include 28 U.S.C. § 1400(b). AMERICAN LAW INSTITUTE, FEDERAL JUDICIAL CODE REVISION PROJECT 253-90 (2004).

Even if it was accepted that 28 U.S.C. § 1400(b) is a "special venue rule that governs under [a] particular Federal statute",[8] as discussed above, the statute on its face reiterates the rule from 28 U.S.C. § 1391(c) in its first clause using the suggestive word "may", references the term "resides" which is defined by § 1391(c), and then codifies a special exception to that general rule in the second clause. *See* Section I, *supra*. Nowhere is the 1957 *Fourco* holding—having already been nullified by the 1988 Congressional amendments—somehow resurrected by the "harmonizing" provision of current 28 U.S.C. § 1391(a).

V. Public Policy arguments for how the laws should read must be directed to Congress, not the Court

Much of the argument made by Petitioner and its *Amici* focuses on public policy, specifically the alleged "problem" of too many patent infringement suits being filed in the Eastern District of Texas. *Amicus* suspects that this is because Petitioner and its *Amici*

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[7] H.R. REP. NO. 112-10 at 16 n.8 (2011).

[8] This is not clear given that 28 U.S.C. § 1400(b) uses the word "may," and not "shall," or "may be brought only in," as used in 28 U.S.C. §§ 1398, 1399 and 1403. *See* Section II, *supra*. Arguably the harmonizing provision of 28 U.S.C. § 1391(a) in the 2011 amendments is a reference to these specific venue statutes, noting that 28 U.S.C. §§ 1398, 1399 and 1403 are not to be disturbed by the 2011 amendments to 28 U.S.C. § 1391(c), which makes perfect sense under a plain reading of these statutes and the amendments thereto.

are so well aware of how unambiguous the current versions of 28 U.S.C. § 1391(c)(2) and 28 U.S.C. § 1400(b) are, that they would rather try to make a public policy argument for why the Court should deviate from the established principles of statutory interpretation (as well as why the Court should arguably violate the Supremacy Clause) in holding that outdated, overruled case law from 1957 trumps the supreme Law of the Land—current statutes that have been amended several times since 1957.

Amicus provides no opinion here of how compelling these public policy arguments might be. Perhaps the arguments are compelling. Perhaps too many patent infringement actions are filed in the Eastern District of Texas. Perhaps every federal district judge in the United States should have complex patent infringement cases taking over their docket, instead of those cases being concentrated in a few judicial districts. The appropriate forum to discuss these questions is, however, Congress, not this Court.

This Court is an Article III court of extremely limited jurisdiction. The case at bar only concerns whether Petitioner can be sued for patent infringement in Delaware or if Petitioner must be sued in Indiana. The case at bar only concerns answering that narrow question through a statutory analysis of the current 28 U.S.C. § 1391(c)(2) and 28 U.S.C. § 1400(b). Since the language of these statutes is unambiguous, the judicial inquiry must end there. *Desert Palace*, 530 U.S. at 98. The Court lacks authority to resolve the question of whether too many patent infringement suits are filed in the Eastern District of Texas. The Court also lacks authority to make a determination as to where patent

infringement suits should be filed. The Court only has authority under Article III of the Constitution to adjudicate the "case or controversy" between the Petitioner and Respondent, and nothing else. This principle has been well established by the Court for hundreds of years:

> In 1793, President George Washington sent a letter to Chief Justice John Jay and the Associate Justices of the Supreme Court, asking for the opinion of the Court on the rights and obligations of the United States with respect to the war between Great Britain and France. The Supreme Court politely—but firmly—refused the request, concluding that "the lines of separation drawn by the Constitution between the three departments of the government" prohibit the federal courts from issuing such advisory opinions. 3 Correspondence and Public Papers of John Jay 486-489 (H. Johnston ed. 1890-1893).
>
> That prohibition has remained "the oldest and most consistent thread in the federal law of justiciability." *Flast v. Cohen*, 392 U.S. 83, 96, 88 S. Ct. 1942, 20 L. Ed. 2d 947 (1968) (internal quotation marks omitted). And for good reason. **It is derived from Article III of the Constitution, which limits the authority of the federal courts to the adjudication of "Cases" or "Controversies."** U.S. Const., Art. III, § 2. The case or controversy requirement is at once an important check on the powers of the Federal Judiciary and the source of those powers.

See Campbell-Ewald Co. v. Gomez, 136 S. Ct. 663, 678 (2016) (Roberts, C.J., dissenting) (emphasis added).

Amicus submits and respectfully suggests that the Court use the case at bar as a prime example of cases that should never end up before this Court, because it is a waste of this Court's limited resources to hear a case concerning a question of statutory interpretation wherein the statutes are unambiguous on their face, and that the Court should also use this case to remind Petitioner and its *Amici* that their battle for patent venue reform is more appropriately taken up with Congress.

Conclusion

The current versions of 28 U.S.C. § 1391(c)(2) and 28 U.S.C. § 1400(b) unambiguously, on their face, permit the filing of patent infringement suits in any judicial district where the court has personal jurisdiction over the defendant in regards to that civil action. Thus, the Court's judicial inquiry must end there and *Amicus* respectfully urges the Court to affirm the holding of the Federal Circuit, while also holding that Congress has legislatively overruled *Fourco*, and superseded *VE Holding*.

Respectfully submitted,

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RECORD AND BRIEFS

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No. 16-341

In the Supreme Court of the United States

TC HEARTLAND LLC,
D/B/A HEARTLAND FOOD PRODUCTS GROUP,
Petitioner,

v.

KRAFT FOODS GROUP BRANDS LLC,
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF *AMICI CURIAE* OF EIGHTEEN INDIVIDUALS AND ORGANIZATIONS REPRESENTING INVENTORS AND PATENT OWNERS IN SUPPORT OF RESPONDENT

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RULE 29.6 STATEMENT

Counsel for *Amici Curiae* certifies the following:

1. The full name of every party or amicus represented by me is: Guy Fielder, Jon D. Paul, Network-1 Technologies, Inc.; Neurografix; Paul Morinville, Scientific Telecommunications, LLC, and US Inventor, Inc.; National Innovation Association; Independent Inventors of America; San Diego Inventors Forum; Edison Innovators Association; Inventors Society of South Florida; Tampa Bay Inventors Council; Inventors Network of the Carolinas; Inventors Network of the Capital Area; North Florida Inventors and Innovators Group; Inventors Network of Minnesota; and United Inventors Association.

2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is: N/A

3. All parent corporations and publicly held companies that own 10 percent or more of the stock of the party or amicus represented by me are: N/A

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court are: None appeared in the trial court. Brian D. Ledahl appears in this court for amici.

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INTEREST OF *AMICI CURIAE*

Amici curiae are inventors, patent owners, and non-profit organizations representing inventors.[1] They possess rights granted to them by the United States Patent and Trademark Office pursuant to the Patent Act (Title 35 of the United States Code), and Section 8 of Article I of the United States Constitution. These patents provide the exclusive right to make, use, sell or offer for sale the inventions claimed therein for a set period of time. All too often, however, others trespass upon the rights of *amici curiae* and other holders of United States Patent rights. A patent holder's sole means of enforcement of its rights is through a suit for patent infringement. Petitioner and its supporting *amici* seek to change the law to dramatically curtail the ability of a patent holder to vindicate its rights. The changes to the law advocated by Petitioner and its supporting *amici* would impose significant burdens on inventors and their assignees, and would encourage infringing behavior and piracy.

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[1] Pursuant to Supreme Court Rule 37, all parties to this matter have consented to the filing of this brief. Counsel of record for all parties received notice at least ten days prior to the due date of *amici*'s intention to file this brief. Pursuant to Supreme Court Rule 37, *amici* certify that no counsel for a party authored this brief in whole or in part, and no party or counsel for a party made a monetary contribution intended to fund preparing or submitting this brief. No person or entity, other than *amici*, their members, or their counsel, contributed money intended to fund preparing or submitting this brief.

INTRODUCTION AND SUMMARY OF ARGUMENT

The patent system "added the fuel of interest to the fire of genius." These words, spoken by Lincoln and carved into the façade of the U.S. Department of Commerce, reflect the understanding of the founders that patents and inventors play a critical role in the economic life of the United States. To read the briefs of Petitioner and the *amici* supporting it, however, one might think that inventors are a modern scourge to be eliminated. Their briefs collectively ask this Court to reach beyond merely interpreting a federal statute (which clearly does not support the relief sought), and instead to legislate new policy with the express goal of making it more difficult for inventors and patent owners to vindicate their rights in the interest of benefitting those who infringe upon those rights. This case is not about frivolous or non-meritorious claims. Rather, it is about where meritorious claims of infringement may be heard. Petitioners ask this Court to change the settled rules governing patent venue contrary to the express language of the governing federal statutes.

The patent venue statute, 28 U.S.C. § 1400, provides that a corporation may be sued for infringement in any district where it resides. Congress expressly defined residency for all venue purposes in 28 U.S.C. § 1391, but Petitioner urges this Court to ignore the unambiguous language used by Congress in favor of a tortured interpretation unsupported by the clear statutory language. Petitioner asserts that this Court, in *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222 (1957) decided the question presented before,

i.e. whether 28 U.S.C. § 1391(c) defines residency for purposes of 28 U.S.C. § 1400(b). This allegation ignores the plain fact that Congress amended 28 U.S.C. § 1391 since *Fourco* was decided in 1957.

28 U.S.C. § 1400(b) governs venue for suits alleging patent infringement. That provision provides that "Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business." The Petition addresses itself to the first clause, and specifically the reference to a judicial district where the defendant resides. Petitioner and its *amici* argue that a corporation or other fictitious business entity "resides" only in the state of its incorporation. But Congress rejected this very argument when it amended Section 1391(c) in 2011 to state that: "**For all venue purposes** - . . . (2) an entity with the capacity to sue and be sued in its common name under applicable law, whether or not incorporated, shall be deemed to reside, if a defendant, in any judicial district in which such defendant is subject to the court's personal jurisdiction with respect to the civil action in question . . . ." 28 U.S.C. § 1391(c) (emphasis added).

Not only do Petitioner's arguments conflict with clear statutory language, but they would create unintended, yet dramatic results depriving patent holders throughout the United States of their property rights. Most notably, under Petitioner's argument, a foreign defendant not incorporated in the United States, and with no regular and established place of business in the United States, would not be the subject

of proper venue for a suit for patent infringement in any court in the United States – hardly a result Congress would have intended – to immunize foreign infringers against U.S. Patents and encourage all infringers to take their business outside the United States. Ordinarily, this apparent dilemma would be resolved by resort to 28 U.S.C. § 1391(c)(3), which provides for venue over defendants not resident in the United States. But the Petition argues that no part of Section 1391 may be considered in determining venue for an action for patent infringement.

Petitioner and its *amici* attempt to justify the requested departure from Congress's clear venue enactments with policy arguments that ask the Court to usurp the role of the legislature. Petitioners and their *amici* attack one district court in particular, the U.S. District Court for the Eastern District of Texas as somehow acting improperly. They suggest, contrary to any evidence, that the Eastern District of Texas engages in some form of "forum selling." In fact, the statistics show that outcomes in that district are not more favorable to patent holders, though the District's experience and expertise with such cases has made it a more efficient forum. In the end, however, such considerations are not for this Court as they reflect policy judgments, not the proper basis for statutory interpretation.

ARGUMENT

I. CONGRESS DEFINED "RESIDENCY" FOR ALL VENUE PURPOSES

Congress enacted a universal definition of residency for all venue purposes. In 2011, Congress amended 28 U.S.C. § 1391(c) to define residency "for all venue purposes." Petitioner and its *amici* argue that this definition by Congress should not apply to one venue provision – that found 28 U.S.C. § 1400. Petitioner's argument suffers from at least two flaws, each of which is fatal. First, it conflicts with the plain language of Section 1400. Second, Petitioner's argument for a different interpretation relies exclusively on a Supreme Court decision of 1892 that, to the extent it retained any force, was overruled by Congress's 2011 amendment to Section 1391(c).

A. Congress Expressly Defined Residency Contrary to Petitioner's Arguments

In 2011, Congress enacted various amendments to 28 U.S.C. § 1391. One such amendment was to change Section 1391(c) to recite express definitions for residency. The subsection begins by reciting, as to all three subsections, that it applies "[f]or all venue purposes." Section 1400 provides the specific venue provision applicable to patents, copyrights and mask works. Section 1400(a), applicable to copyrights and mask works, recites that venue is proper "in the district in which the defendant or his agent **resides** or may be found." (emphasis added). Section 1400(b), applicable to patents, recites that venue is proper "in the judicial district where the defendant **resides**, or where the defendant has committed acts of

infringement and has a regular and established place of business." (emphasis added). This language parallel is not a coincidence. Gugliuzza, Paul R. and La Belle, Megan M., "The Patently Unexceptional Venue Statute" (February 9, 2017). American University Law Review, Vol. 66, 2017 Forthcoming at 24. Available at SSRN: https://ssrn.com/abstract=2914091, citing *Smith v. City of Jackson*, 544 U.S. 228, 233 (2005) and *Sullivan v. Stroop*, 496 U.S. 478, 484 (1990) (applying the "normal rule of statutory construction that identical words used in different parts of the same act are intended to have the same meaning") (internal quotations omitted). No portion of Section 1400 provides any express definition of "resides." The only definition provided by Congress is found in Section 1391(c), which expressly applies "for all venue purposes."

In 2011, Congress had many choices in amending venue statutes. It chose to enact a provision, Section 1391(c), to expressly define "resides" for "all venue purposes." The House Report on the 2011 amendments states explicitly that the definitions in Section 1391(c) apply "universally," meaning "to all venue statutes, including venue provisions that appear elsewhere in the United States Code." Gugliuzza and La Belle at 23, citing H.R. Rep. No. 112-10 at 17 (2011). The Petition asks the Court to ignore the clear pronouncement of Section 1391(c) by pointing to a different subsection, Section 1391(a), which begins "Except as otherwise provided by law." Petitioner and its *amici* argue that this provision voids any and all relevance of Section 1391(c) and its clear definition of "resides" for this inquiry. But the House Report on the 2011 amendments indicated that "except as otherwise

provided by law" in the newly enacted version of Section 1391(a) referred to a list of statutes compiled by the American Law Institute, which notably did not include Section 1400(b). Gugliuzza and La Belle at 22, citing H.R. Rep. No. 112-10 at 16 n.8 (2011). Petitioner acknowledges that there is no contrary statutory language anywhere in the United States Code that would render the definitions of Section 1391(c) inapplicable to the venue purpose of the patent and copyright venue statute – Section 1400. Instead, Petitioner relies exclusively on judge-made law. As shown in the following section, Petitioner's reliance is misplaced.

B. The Supreme Court's Precedent from 1892 Does Not Constitute A Definition "Otherwise Provided By Law"

Petitioner argues that the Supreme Court defined "resides" for purposes of Section 1400 in *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222 (1957). *Fourco* did consider the interpretation of Section 1400(b). It did not, however, create a special definition of "resides" for purposes of Section 1400. Instead, the *Fourco* Court examined whether the venue provisions of Section 1400 were "supplemented" by the general venue provisions of Section 1391 (at that time). The Court held that they were not. But at that time, Section 1391(c) did not define "resides" for all venue purposes as it does now.

The *Fourco* Court held that "resident" in Section 1400, which had been changed from "inhabitant," was synonymous for venue purposes with "domicile," and that all these terms, in respect to corporations, mean the state of incorporation only. *Fourco*, 353 U.S. at

226. For this assertion, the *Fourco* Court relied on an earlier case, *Shaw v. Quincy Mining Co.*, 145 U.S. 444 (1892).

In *Shaw*, the Court considered the meaning of "inhabitant" for venue purposes. Specifically, the Court considered the general venue provisions applicable to corporations, which at that time referred to venue over a party in the "district whereof he is an inhabitant." *Shaw*, 145 U.S. at 449. Thus, in *Shaw*, the Supreme Court considered the meaning of "inhabitant" as used in all venue statutes. Congress had given no express definition of the term. In *Fourco*, the Court, held that "resident" or "resides" had the same meaning as "inhabitant" in venue statutes and thus applied that meaning to Section 1400(b).

At least by 2011, Congress expressly rejected the statutory interpretation of *Shaw* by stating a different, express definition of "resides" for all venue purposes. Thus, to the extent it could have remained applicable, *Shaw* was overruled by Congress in its 2011 amendment of Section 1391(c). To the extent *Fourco* retained any force at that time, it too was necessarily overruled as relates to the definition of "resides" for venue purposes.

Petitioner's argument rests solely on the contention that Section 1391(a) recites that the applicability of the section is "[e]xcept as otherwise provided by law." The only law "otherwise provided" that Petitioner identifies is the Supreme Court's *Fourco* decision. That decision, however, merely relied upon the 1892 *Shaw* definition of "inhabitant" (and therefore "resident" or "resides") for venue purposes. Congress expressly enacted a contrary definition of "resides" for all venue purposes

in 2011, overruling the only "otherwise provided" law that could possibly support the interpretation advanced by Petitioner and its *amici*.

II. CONGRESS HAS RECOGNIZED THAT PETITIONER'S INTERPRETATION THAT SECTION 1391(c) DOES NOT APPLY TO SECTION 1400(b) WOULD IMMUNIZE FOREIGN DEFENDANTS.

As shown in the preceding sections, Petitioner and its *amici* advance an incorrect interpretation of Section 1400 contradicting the clear statutory language. Additionally, Petitioner's argument leads to a nonsensical consequence – it would prevent all actions against foreign infringers in U.S. Courts.

Petitioner argues that the definition of residency "for all venue purposes" in Section 1391(c)(2) applies for all venue purposes except for those described in Section 1400(b). Petitioner and its *amici* argue that no part of Section 1391(c) may be considered in interpreting and applying Section 1400(b). As discussed at length above and in the parties' briefs, Section 1391(c)(2) defines residency for entities that are not natural persons. But Section 1391(c)(3) provides an additional important provision that "a defendant not resident in the United States may be sued in any judicial district . . . ." When correctly interpreted, this provision defines residency in Section 1400(b) for foreign defendants and makes clear where they are subject to suit in the United States.

The Petition argues, however, that Section 1391(c)(3) may not be considered (as no provision of Section 1391(c) may be considered) in interpreting

Section 1400(b).[2] Thus, under Petitioner's argument, if a patent infringer neither resides in any judicial district, nor has a regular and established place of business in any judicial district, then there is no venue where a suit for patent infringement may be brought against that infringer. It seems beyond debate that Congress did not intend to enact a provision that immunized foreign actors for piracy of U.S. intellectual property. Indeed, such a provision would create a bizarre and perverse incentive for business to flee the United States to avoid liability through the nonsensical loophole created by Petitioner's proposed interpretation.

Since Section 1391 was amended in 2011, Congress has considered other amendments to that provision and to Section 1400(b). These proposed amendments and the commentary surrounding them confirm that Petitioner's interpretation of the statute as it stands today is simply wrong. For example, in proceedings of the House Judiciary Committee in 2015, members considered possible amendments to Section 1400(b). Representative Goodlatte, for example, offered amendment language to Section 1400(b) that would recite a variety of bases for venue for patent infringement. The first 2 are similar (though different in critical respects) to current Section 1400(b):

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[2] During oral argument before the Court of Appeals, Petitioner's counsel was asked how its argument would apply to foreign defendants. Petitioner asserted that Section 1391(c)(3) would address this situation. But this concession admits the fundamental flaw in Petitioner's argument. Petitioner argues that Section 1391(c) cannot supplement or define any aspect of venue for Section 1400, but then concedes the opposite – that Section 1391(c) must supplement Section 1400 for foreign defendants.

"(1) where the defendant has its principal place of business or is incorporated; (2) where the defendant has committed an act of infringement of a patent in suit and has a regular and established physical facility." Amendment In The Nature Of A Substitute to H.R. 9, Offered by Mr. Goodlatte of Virginia, at 19 (attached hereto as Appendix A). Congressman Goodlatte went on to add other possible categories, however, including critically: "(7) for foreign defendants that do not meet the requirements of paragraphs (1) or (2), according to section 1391(d) of this title."[3] Congressman Goodlatte recognized that to achieve the interpretation of Section 1400(b) advanced here by Petitioner, the law would have to be amended by Congress. He further recognized that without specifying a mechanism for venue over foreign defendants, there would be an absurd loophole in the venue statute. The Petition effectively asks this Court to both 1) amend the statute without Congress, and 2) create an absurd loophole that Congress did not and would not intend.

III. PETITIONER'S *AMICI* FALSELY ACCUSE U.S. COURTS OF CORRUPTION AS AN EXCUSE TO EFFECT CHANGES THAT UNDULY BURDEN PATENT HOLDERS

In two *amicus* briefs submitted in support of Petitioner, the named *amici*, including significant technology companies and entities like the Electronic Frontier Foundation, suggest that some U.S. Courts, and one court in particular, have somehow engaged in

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[3] H.R. 9, the bill to which this amendment was proposed, has not advanced through the House of Representatives at the time of this brief.

corrupt behavior. Indeed, *amici* the Electronic Frontier Foundation, *et al.* explicitly accuse the judges of the U.S. District Court for the Eastern District of Texas of "forum selling." EFF Brief at 15; Brief of 48 Internet Companies, Researchers and Associations at 17. As an initial matter, such assertions are highly inappropriate and inflammatory. They also make no sense in the context of this case, since the venue at issue in the Petition is the District of Delaware. The above *amici* justify their accusations on the premise that venue reforms are needed to promote efficiency and relieve strain on the judicial system. *See, e.g.*, Brief of 48 Internet Companies, Researchers and Associations at 25 (naming inefficiency an "evil" of forum shopping). But if this is so, such reform is a matter for Congress, not this Court. Moreover, the claim by *amici* that their proposed judicial venue reform legislation will result in greater efficiency is false. The practical outcome from their efforts will make it harder to hold them accountable for wrongdoing, increasing the burdens on inventors and all patent plaintiffs that seek an efficient resolution of a dispute on the merits.

Patent holders, such as the *amici* represented herein, often must seek the assistance of the Courts to vindicate their rights. Accused infringers, including many of the *amici* supporting Petitioner are often large corporations with substantial resources. Inventors and patent holders seek efficient means to resolve their disputes with accused infringers who often refuse to even discuss licensing with a patent holder unless a lawsuit has been filed. Patent holders often seek an efficient venue for resolution of such disputes. The U.S. District Court for the Eastern District of Texas is one venue that has proven to be efficient and

expeditious in bringing such cases to resolution. Regrettably, many accused infringers seek to avoid expeditious and efficient resolution of the dispute on the merits in order to utilize the cost of litigation as economic leverage against relatively less wealthy inventors and patent holders. Indeed, in an article published by Portfolio Media, practitioners were advised on ways to knock out suits in East Texas. *See* Coe, *4 Ways to Knock Out A Frivolous Patent Suit In East Texas*, Portfolio Media, Inc., Nov. 9, 2015.[4] One piece of advice offered by a practitioner was to seek transfer of cases to other districts. The practitioner noted that "If cases get transferred to the home districts of defendants, they could be scattered throughout the country, putting an additional burden on the plaintiff's counsel." *Id.* Such advice reveals that far from seeking efficient resolution of disputes, many entities seek to make the matter less efficient and more burdensome to patent holders.

The data confirms that efficiency, rather than outcomes, drives the popularity of the U.S. District Court of the Eastern District of Texas for patent filings. Though Petitioner's *amici* rely on a study by Professors Brian Love and James Yoon, that study actually concluded that plaintiff-sided outcomes are *not* the driving force behind the Eastern District's popularity. Brian J. Love & James C. Yoon, *Predictably Expensive: A Critical Look at Patent Litigation in the Eastern District of Texas*, Stan. Tech. L. Rev. Vo. 20:1 at 20 (January 3, 2017), https://papers.ssrn.com/sol3/papers

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[4] Available at http://www.law360.com/ip/articles/723519?nl_pk=4e82f1c3-27f3-4d47-bf94-04f5e8f2aec6&utm_source=newsletter&utm_medium=email&utm_campaign=ip

2.cfm?abstract_id=2835799 (last visited February 24, 2017). The data shows instead that from January 2014 to June 2016, patent cases in the Eastern District concluded six months faster than those in the District of Delaware, and close to two months faster than the national median. *Id.* at 14. Further, the Eastern District's median time-to-trial was over two months faster than the next fastest court and was five months faster than the nationwide median. *Id.* Overall, the Eastern District resolved 4,963 patent cases in a median of 188 days. By comparison, the District of Delaware resolved 2,493 in a median of 400 days, the Central District of California resolved 982 cases in 251 days, and the nation-wide median was 237 days. *Id.* This data suggest that far from less-costly litigation, what Petitioners and their *amici* seek is a system that makes litigation **more** expensive, and thus presumably more difficult for inventors and patent holders to pursue.[5]

Contrary to the assertions of several *amici,* the Eastern District of Texas also effectively resolves venue disputes. In this metric, the U.S. District Court for the

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[5] The study's authors suggest that the rules of the Eastern District of Texas make litigation more expensive for defendants because certain discovery activities are addressed earlier in the case. But the study simply assumes this counterintuitive conclusion. For example, the study notes that in the Eastern District of Texas, document exchange proceeds largely without formal requests for production. Far from making litigation more costly, this procedure reduces the costs of preparing and responding to such formal requests, and likely reduces discovery disputes about such requests and the costs attendant to litigating such disputes. The authors present no empirical data to show that the effective procedural rules employed in the Eastern District of Texas increase costs for litigants on either side.

Eastern District of Texas performs favorably in comparison to the U.S. District Court for the District of Delaware, the venue most likely to experience substantial increases in filings under the new venue rule advocated by Petitioner (because a significant percentage of corporations are incorporated in the state of Delaware). From 2008 to 2016, the Eastern District of Texas took an average of 183 days to grant a motion to transfer venue from the time it was filed. Steve Brachman, *Transferring Venue: How Long Is This Gonna Take?* Patent Infringement Blog (Jan. 17, 2017), http://docketreport.blogspot.com/2017/01/transferring-venue-how-long-is-this.html (last visited February 24, 2017). Over the same time period, the District of Delaware took an average of 184.5 days, a virtual tie. *Id.* This is impressive considering that the Eastern District of Texas granted 279 motions in that period, while the District of Delaware granted only 88 such motions. *Id.* In contrast with efficiency, outcomes were virtually identical. *Id.* (the Eastern District denied 57% of motions filed during the eight-year period, while Delaware denied 55%). These data show not only that the concerns about the Eastern District of Texas are greatly overblown, but that 1) a mechanism already exists to address potentially inconvenient venue in the Eastern District of Texas – 28 U.S.C. § 1404, and 2) that mechanism is working.

IV. PETITIONER'S INTERPRETATION COULD LEAD TO PERVERSE UNINTENDED CONSEQUENCES

Advocacy for a more inefficient system is hardly something that this Court should countenance, though that is precisely what Petitioner and its *amici* seek. Without an efficient system for resolving disputes, the Constitutional right to hold a patent quickly loses its value and ceases to be the "fuel of interest" about which Lincoln spoke. The policy change urged by Petitioner and its *amici* would reverse the capability our system has evolved to effectively resolve high volumes of patent lawsuits. It would also reverse Congress's venue solution for foreign corporations that commit acts of infringement in the United States but lack an established place of business here.

Smaller inventors and patent holders rely upon the same venue statutes as do all other plaintiffs. Patent holders and inventors often seek to bring suit in their home venue because it can be less costly and more efficient. Petitioners and their *amici* seek to make this impossible. Suggestions of abuse by patent "trolls" (often used as a pejorative term to refer to anyone holding a patent that someone is infringing) does not call for the Court to establish new venue rules to help tilt the balance in favor of patent infringers. Furthermore, a decision here that Section 1391(c) does not apply to Section 1400(b) "could impact venue law outside the patent context." Gugliuzza and La Belle at 27. Citing ERISA cases as an example, commentators have observed that a victory for the Petitioner and its *amici* would provide corporations with "ammunition to argue that Congress should limit venue in civil cases

across the board, just like in patent cases." *Id.* Congress has the power to strike the proper balance between protecting the rights of patent holders and preventing undue harm to corporations accused of infringement. Although some *amici* undoubtedly seek only to improve our system by advocating for a change in the law, this is a case where judicial intervention is likely to do more harm than good.

CONCLUSION

The Petition advocates an interpretation of statutory venue provisions that conflicts with the express language enacted by Congress, that leads to absurd results, and that would create inefficiency and unnecessary burdens on patent holders and the Courts. For all of these reasons, *amici* support denial of the Petition.

Dated: March 8, 2017

Respectfully submitted,

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RECORD AND BRIEFS

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IN THE

Supreme Court of the United States

TC HEARTLAND, LLC, d/b/a
HEARTLAND FOOD PRODUCTS GROUP,

Petitioner,

v.

KRAFT FOODS GROUP BRANDS LLC,

Respondent.

ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF OF THE ELECTRONIC FRONTIER FOUNDATION AND PUBLIC KNOWLEDGE AS *AMICI CURIAE* IN SUPPORT OF PETITIONER

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INTEREST OF *AMICI CURIAE*

The Electronic Frontier Foundation[1] ("EFF") is a nonprofit civil liberties organization that has worked for over 25 years to protect consumer interests, innovation, and free expression in the digital world. EFF and its more than 35,000 dues-paying members have a strong interest in helping the courts ensure that intellectual property law serves the public interest.

Public Knowledge is a non-profit organization that is dedicated to preserving the openness of the Internet and the public's access to knowledge, promoting creativity through balanced intellectual property rights, and upholding and protecting the rights of consumers to use innovative technology lawfully. Public Knowledge advocates on behalf of the public interest for a balanced patent system, particularly with respect to new and emerging technologies.

The Electronic Frontier Foundation and Public Knowledge have previously served as *amici* in patent cases. *E.g.*, *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923 (2016); *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347 (2014); *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120 (2014); *Octane Fitness, LLC v. Icon Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014).

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[1]Pursuant to Supreme Court Rule 37.3(a), all parties received appropriate notice of and consented to the filing of this brief. Pursuant to Rule 37.6, no counsel for a party authored this brief in whole or in part, and no counsel or party made a monetary contribution intended to fund the preparation or submission of the brief. No person or entity, other than *amici*, their members, or their counsel, made a monetary contribution to the preparation or submission of this brief.

SUMMARY OF ARGUMENT

As loud and bombastic as it may be while on the air, Adam Carolla's podcast is a small operation. Started in 2009 by the well-known comedian and friends, the Adam Carolla Show is recorded, produced, and distributed out of a studio in Glendale, California.

When in 2013 Personal Audio brought a patent infringement suit against Carolla's company, the ACE Broadcasting Network, the Southern District of California would have been a logical choice of venue. Or the District of Massachusetts, since Personal Audio's key employees and witnesses were there, Personal Audio itself was founded in Massachusetts, and the named inventors on the patent are three New Englanders.

Yet the venue of the suit was neither. *Personal Audio v. ACE Broadcasting* was filed over 1,500 miles from either California or Massachusetts, in a small Texas town perhaps best known for its annual Fire Ant Festival.[2]

It is almost comedic that for a lawsuit between a Massachusetts patent holder and a California audio show, the venue is Texas. It is a result that should not occur under this Court's precedents, which have sharply limited venue in patent cases for over a hundred years. Yet it is a result that happens every day now, because the Court of Appeals disregarded those controlling precedents and devised a new, far broader rule of patent venue.

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[2]This account is drawn from court documents in *Pers. Audio, LLC v. ACE Broad. Network, LLC*, No. 2:13-cv-14 (E.D. Tex. filed Jan. 7, 2013), *Fox Broad. Co. v. Pers. Audio, LLC*, No. 1:13-cv-11794 (D. Mass. filed July 26, 2013), and *Misraje v. Carolla*, No. BC499379 (Cal. Super. Ct. filed Jan. 17, 2013). *See also In re Apple Inc.*, 374 F. App'x 997 (Fed. Cir. 2010); Yan Leychkis, *Of Fire Ants and Claim Construction*, 9 Yale J.L. & Tech. 193, 195 (2007).

Petitioner meticulously and correctly lays out the historical and statutory interpretation reasons for rejecting the Federal Circuit's attempt to rewrite patent venue law. But the error is reflected at another, more basic level: the underlying purpose of venue itself.

Venue law is intended to promote convenience for the parties and fairness in the adjudicatory system. But on the contrary, the Federal Circuit's decision enabling broad patent venue exacerbates unfairness and inconvenience. That decision should be reversed.

1. This Court has long recognized that venue should promote fairness. The case law reflects predominant concerns about convenience and reasonableness to parties, primarily defendants, who may be haled into a court unilaterally chosen by another litigant.

Patents are no exception to this accepted rationale for venue. The legislative history of the patent venue statute reflects Congress's objective of fairness, especially for defendants. This Court's analysis of that statute has drawn from that fairness reasoning as well.

2. Yet venue in patent cases today reflects anything but fairness. Patent owners have practically unfettered ability to choose the forum offering the most advantage. This ratchets up costs, particularly where judges have adopted procedural rules that impose those costs early and often. As a result, defendants—especially those of smaller means—often must settle patent lawsuits based on the cost of litigation rather than the merits. Such a result of broad venue is neither convenient nor fair.

A wide and growing body of evidence, reviewed in detail in this brief, reveals the remarkable scope of unfairness and prejudice engendered by broad patent venue. This strongly suggests that the patent venue statute, un-

der the Federal Circuit's interpretation, fails to live up to its intended purpose. A correct interpretation of that statute will thus realign statutory effect with intent.

3. Any supposed "benefits" of the Federal Circuit's misinterpretation of patent venue are of minimal consequence. The ability of patent owners to consolidate multiple defendants in a single proceeding, for example, is best left to multidistrict litigation procedure rather than broad venue. The value of district court "specialization" in patent law resulting from forum shopping is also better addressed by Congress, and indeed already has been addressed by act of Congress. And though one might worry about burdening patent owners with an obligation to travel to distant forums, the empirical evidence shows that patent owners themselves do not worry about this much, often voluntarily filing their cases in distant forums.

And lest it be wondered why patent law enjoys a special venue statute in the first place, there is good reason to treat venue in patent cases differently. The unique and complex nature of patent litigation, and in particular the distinct procedural rules applied only in patent cases, suggest a need for distinct venue rules.

Ultimately, the above attempts to save the Federal Circuit's rule do not outweigh the fundamental concern. Venue law in patent cases, which ought to promote fairness and convenience, now breeds forum shopping, questionable local rules, and twisted triangulations of court location like the California-Massachusetts-Texas situation of Adam Carolla. The error is easy to fix: This Court must simply apply its own precedents and reverse the Federal Circuit. Nothing should stand in the way of doing so.

ARGUMENT

I. VENUE LAW IS CONCERNED WITH FAIRNESS, ESPECIALLY FOR THOSE WHO DO NOT CHOOSE THE FORUM

Fairness concerns have long guided judicial venue. Rules designating the appropriate forum for litigation seek to ensure convenience and reasonableness for the parties, especially defending parties who do not choose or negotiate for the desired forum. This Court's jurisprudence on general venue affirms this fairness principle, and the development of venue law specifically relating to patent cases comports with the fairness principle as well.

A. GENERAL VENUE JURISPRUDENCE REGULARLY APPEALS TO NOTIONS OF FAIRNESS

The fundamental policy underlying venue is fairness and convenience to both sides of a civil suit. As this Court has said, "venue is primarily a matter of convenience of litigants and witnesses." *Denver & Rio Grande W.R.R. Co. v. Bhd. of R.R. Trainmen*, 387 U.S. 556, 560 (1967); *see also Neirbo Co. v. Bethlehem Shipbuilding Corp.*, 308 U.S. 165, 167–68 (1939). "Venue rules traditionally have served to ensure that proceedings are held in the most convenient forum." Cass R. Sunstein, *Participation, Public Law, and Venue Reform*, 49 U. Chi. L. Rev. 976, 980 (1982); *see also Carnival Cruise Lines, Inc. v. Shute*, 499 U.S. 585, 595 (1991) (holding that even where parties agree to a venue by contract, "forum-selection clauses contained in form passage contracts are subject to judicial scrutiny for fundamental fairness" such as whether a particular forum was chosen "as a means of discouraging [plaintiffs] from pursuing legitimate claims").

Venue law is especially concerned with protecting parties without the means or ability to choose the forum, so those parties are not subject to lawsuits in unfair places. "In most instances, the purpose of statutorily specified venue is to protect the *defendant* against the risk that a plaintiff will select an unfair or inconvenient place of trial." *Leroy v. Great W. United Corp.*, 443 U.S. 173, 183–84 (1979) (citing, e.g., *Braden v. 30th Judicial Circuit Court*, 410 U.S. 484, 493–94 (1973)); *see also Reuben H. Donnelley Corp. v. FTC*, 580 F.2d 264, 269 (7th Cir. 1978) ("Historically, venue has been geared primarily to the convenience of the defendant . . . ."); *cf. Carnival Cruise*, 499 U.S. at 595 (noting that fairness concerns may arise for the plaintiff where defendant seeks to enforce venue clause in form contract written by defendant).

In contrast, the convenience of the party choosing the forum is generally not considered sufficient to justify an expansive view of venue. For example, the fact that a patent owner may have to sue in multiple districts in order to reach all alleged infringers is not a concern traditionally addressed by venue. "The desirability of consolidating similar claims in a similar proceeding," this Court has said, does not justify interpreting a venue statute "to give the plaintiff the right to select the place of trial that best suits his convenience." *Leroy*, 443 U.S. at 184.[3]

Venue law thus aims to ensure fairness between the litigants in a case, and more specifically aims to protect defendants' interests in convenience and reasonableness of choice of forum.

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[3]Indeed, Congress recently enacted a law making it harder for patent owners to join multiple defendants into a single suit, a law certainly not enacted for the convenience of patent owners. *See* 35 U.S.C. § 299.

B. The Development of Patent Venue Law Reflects This Concern for Fairness

Venue in patent cases has been no exception to those general principles of fairness and protection of defendants. Appeals to fairness may be found both in the legislative history of patent venue law and in this Court's interpretation of that law.

1. The legislative history of patent venue adopts fairness toward defendants as a primary rationale. The statutory provision for patent venue, as Petitioner notes, originates in the Act of Mar. 3, 1897, which permitted a patent suit in the defendant's place of incorporation or in any of the defendant's places of business where infringement had occurred. Ch. 395, 29 Stat. 695; *see* Br. Pet'r 2–3.

Proponents of the 1897 Act viewed it as constricting patent venue. Up until then, venue in patent cases was arguably[4] based on the Judiciary Act of 1789, which broadly permitted suit against a defendant in any district "in which he shall be found at the time of serving

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[4] Uncertainty arose in view of two intervening statutes that generally imposed even more limited venue than that in the 1897 Act. Act of Mar. 3, 1887, ch. 373, 24 Stat. 552 (formerly Sec. 51 of the Judicial Code codified at 28 U.S.C. § 112 (1940)); Act of Aug. 13, 1888, ch. 866, 25 Stat. 433. If those general venue statutes applied to patent cases, then the later 1897 Act would have acted as a broadening of venue. However, two cases cast into doubt the applicability of the 1887 and 1888 Acts to patent suits. *See In re Hohorst*, 150 U.S. 653, 661–62 (1893); *In re Keasbey & Mattison Co.*, 160 U.S. 221, 230 (1895). Lower courts thereafter generally did not apply the 1887 and 1888 Acts to patent cases. *See Nat'l Button Works v. Wade*, 72 F. 298, 299 (C.C.S.D.N.Y. 1896); *Noonan v. Chester Park Athletic Club Co.*, 75 F. 334, 335 (C.C.S.D. Ohio 1896); *Earl v. S. Pac. Co.*, 75 F. 609, 610 (C.C.N.D. Cal. 1896); *Westinghouse Air-Brake Co. v. Great N. Ry. Co.*, 88 F. 258, 261 (2d Cir. 1898). *But see Gorham Mfg. Co. v. Watson*, 74 F. 418, 418–19 (C.C.D. Mass. 1896).

the writ." Ch. 20, § 11(b), 1 Stat. 73, 79. During debate in the House, Representative Mitchell observed that "a great many patent lawyers" agreed that the bill to become the 1897 Act would "limit that jurisdiction" of the circuit courts in patent cases. 29 Cong. Rec. 1900 (Feb. 16, 1897). He later rebutted a contention that the bill would enlarge patent venue by saying that the bill "does not extend, but on the contrary that it defines, the jurisdiction of the courts." *Id.* at 1901.

This constriction of venue had a recognized purpose of protecting defendants in patent lawsuits. Representative Mitchell compared the 1897 Act to then-prevailing law and explained that "this act makes it easier for the defendant, and really limits to that extent the jurisdiction of the court." 29 Cong. Rec. at 1901. Representative Lacey, who introduced the bill, also noted that defendants would be safe from suits in undue places, as "[i]solated cases of infringement would not confer this jurisdiction." *Id.* at 1900.

The history of the 1897 Act thus reflects congressional intent to promote fairness in venue, particularly with respect to patent defendants. Since the language of that act is the basis of the current 28 U.S.C. § 1400(b), *see* Br. Pet'r 2–6, that legislative history continues to be relevant today.

2. This Court's decisions also confirm that fairness for defendants has motivated patent venue law. Patent venue "confers upon defendants in patent cases a privilege in respect of the places in which suits may be maintained against them." *Gen. Elec. Co. v. Marvel Rare Metals Co.*, 287 U.S. 430, 435 (1932). The key observation is that venue is a "privilege" for "defendants."

Stonite Products Co. v. Melvin Lloyd Co. recognized the importance of fairness to litigants in its comprehensive review of the history of venue law. *See* 315 U.S. 561, 563–66 (1942). Beginning with the broad venue provision of the 1789 Act that originally controlled patent cases, the Court observed that the "abuses engendered by this extensive venue" prompted Congress to enact "a restrictive measure," namely the 1897 Act specifically governing patent venue. *Stonite*, 315 U.S. at 563, 566.

A later case would put a gloss upon *Stonite*'s reference to "abuses engendered," connecting that concern with "the policy behind the applicable venue statute." *Schnell v. Peter Eckrich & Sons, Inc.*, 365 U.S. 260, 262 (1961) (quoting *Neirbo*, 308 U.S. at 168) (quotation marks omitted); *see also Pure Oil Co. v. Suarez*, 384 U.S. 202, 207 (1966) (discussing the "particular reasons why Congress had passed" the patent venue statute). *Stonite* and its progeny thus recognized that restrictive patent venue had the purpose of curbing abuses, presumably by patent plaintiffs bringing suits in inconvenient or inappropriate forums. And when this Court revisited the holding of *Stonite*, it cited with approval the "reasons and purposes for" the patent venue statute discussed therein. *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222, 225 (1957).

Legislative history and case law thus both tend to the conclusion that patent venue law, like all venue law, strives for fairness to litigants and especially to defendants. The Federal Circuit's abrogation of this Court's longstanding precedents on patent venue may thus be evaluated not only for errors of law but also for departing from this policy of fairness.

II. UNFAIRNESS IS THE EVIDENT RESULT OF BROAD PATENT VENUE UNDER *VE HOLDING*

Venue law's traditional concern for fairness is pointedly at issue in this case because experience has shown that the Federal Circuit's reinterpretation of venue, for patent defendants, is patently unfair.

In *VE Holding Corp. v. Johnson Gas Appliance Co.*, the Court of Appeals interpreted the patent venue statute "as a matter of first impression," disregarding as abrogated this Court's decades of consistent rulings on the subject. 917 F.2d 1574, 1579 (Fed. Cir. 1990). The result of that novel statutory interpretation was broad venue in patent cases: Under *VE Holding*, "corporate patent infringement defendants may be sued in an almost unlimited number of venues." John A. Laco, *Venue in Patent Infringement Actions:* Johnson Gas *Fouls the Air*, 25 Loy. L.A. L. Rev. 1107, 1131 & n.206 (1992) (citing *VE Holding*, 917 F.2d at 1584).

In the years since *VE Holding*, practical experience has shown what commentators predicted, that this expanded venue "increased the cost and inconvenience of litigation for corporate patent infringement defendants." Laco, *supra*, at 1131. This is a reversal of the ordinary role of venue in protecting defendants from increased costs and inconvenience. *See Leroy*, 443 U.S. at 184; Laco, *supra*, at 1131 n.207 (citing *Leroy*). *See generally* Section I *supra* p. 5.

Three elements of those practical consequences are addressed below: (1) rampant forum shopping in patent cases, (2) certain district courts' creation of local rules favoring patent owners and adverse to defendants, and (3) harms and difficulties imposed upon small companies sued in these procedurally-adverse forums.

A. Broad Venue Has Enabled Remarkable Forum Shopping in Patent Cases

It is common knowledge by now that patent litigation suffers from an unprecedented degree of forum shopping, and in particular shopping for one infamous forum: the Eastern District of Texas.

In 2015, almost 44% of patent cases were filed in that district, a sparsely populated area of Texas with little technology industry and no major city center. Brian C. Howard, *Announcing the Patent Litigation Year in Review 2015*, Lex Machina (Mar. 16, 2016), URL *supra* p. vii.[5] In 2016, that percentage dropped to 30% in the first quarter, but trended upwards to 40% by the end of the year. Brian C. Howard, *Lex Machina Q4 2016 Litigation Update*, Lex Machina (Jan. 12, 2017) [hereinafter Howard 2016], URL *supra* p. vii. Perhaps more remarkably, approximately 25% of all federal district court patent cases in 2015 and 2016 were heard by a single judge, whose docket reportedly saw over 1,600 patent cases in 2015, with an additional 1,119 cases in 2016.[6]

The concentration of patent cases in the Eastern District is made more remarkable by the concentration of particular types of plaintiffs in that district. Since 2014, over 90% of patent cases filed in the Eastern District are by non-practicing entities, those companies that make no products and have no business other than licensing and litigating their patents. Brian J. Love & James Yoon, *Predictably Expensive: A Critical Look at Patent Litigation in the Eastern District of Texas*, 20 Stan. Tech. L. Rev. 1,

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[5]Lex Machina is a litigation analytics tool operated by LexisNexis Group, Inc. *See* Bloomberg Inc., *Company Overview of Lex Machina Inc.* (Jan. 17, 2017), URL *supra* p. vii.

[6]Data available from Lex Machina, last accessed January 30, 2016.

9 tbl.2 (2017); *cf. Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 1920, 1930 (2015) (expressing concern about systemic harms of non-practicing entities). In addition, "high-volume" plaintiffs, namely those who file more than 10 patent cases in a given year, markedly prefer the Eastern District of Texas, whereas patent holders filing lower numbers of lawsuits generally have not shown a particular tendency to file in any one district. Howard 2016, *supra*.

Patent forum shopping stands in marked contrast even to other types of intellectual property litigation. One study comprehensively reviewed geographic litigation trends among patent, trademark, and copyright cases between 1994 and 2014. *See* Matthew Sag, *IP Litigation in U.S. District Courts: 1994–2014*, 101 Iowa L. Rev. 1065, 1087 (2016). Venue in trademark and copyright cases could largely be explained in terms of general economic fundamentals, and patent venue also "would look remarkably stable"—except for the Eastern District of Texas, which went from the 50th most popular forum in 1994 to the dominant forum today. *Id.* at 1095, 1098.[7] Statistical analysis thus confirms what the raw numbers imply: that forum shopping in patent cases, particularly for one district court, is wholly unparalleled.

Perhaps the concentration of cases in the Eastern District of Texas would be acceptable if that court turned out to be the right venue, but often it is not. Since 2008, the Federal Circuit has granted mandamus petitions arising from that district relating to transfer under 35 U.S.C.

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[7]The District of Delaware also notably rose in popularity, but the study found that the rise of the Eastern District of Texas "dwarfs all other changes." *Id.* at 1098.

§ 1404 at least 19 times.[8] That number is all the more remarkable given the "difficult burden" of obtaining mandamus relief relating to a statute that itself permits judicial discretion. *See In re TS Tech USA Corp.*, 551 F.3d 1315, 1322 (Fed. Cir. 2008). This strongly suggests that it is frequently improper, harmful even, for cases to be heard in a venue that has little or no connection to the underlying dispute.

B. Broad Venue Has Encouraged Imbalance in Local Patent Procedural Rules

Concerns about forum shopping are magnified by the growing body of evidence showing that district courts are encouraging forum shopping, through adoption of procedural rules that attract patent plaintiffs.

In complex litigation like patent cases, procedure and timing can have more substantive effect than the legal substance itself. The judge who presides over every

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[8] *See In re Google Inc.*, No. 15-138, 2015 WL 5294800 (Fed. Cir. July 16, 2015); *In re Apple, Inc.*, 581 F. App'x 886 (Fed. Cir. 2014) (per curiam); *In re Nintendo of Am., Inc.*, 756 F.3d 1363 (Fed. Cir. 2014); *In re Toyota Motor Corp.*, 747 F.3d 1338 (Fed. Cir. 2014); *In re Toa Techs, Inc.*, 543 F. App'x 1006 (Fed. Cir. 2013); *In re Nintendo Co.*, 544 F. App'x 934 (Fed. Cir. 2013); *In re Google Inc.*, 588 F. App'x 988 (Fed. Cir. 2014); *In re Oracle Corp.*, 399 F. App'x 587 (Fed. Cir. 2010); *In re EMC Corp.*, 677 F.3d 1351 (Fed. Cir. 2012); *In re Genentech, Inc.*, 566 F.3d 1338 (Fed. Cir. 2009); *In re TS Tech USA Corp.*, 551 F.3d 1315 (Fed. Cir. 2008); *In re Hoffmann-La Roche Inc.*, 587 F.3d 1333 (Fed. Cir. 2009); *In re Nintendo Co.*, 589 F.3d 1194 (Fed. Cir. 2009); *In re Acer Am. Corp.*, 626 F.3d 1252 (Fed. Cir. 2010); *In re Zimmer Holdings, Inc.*, 609 F.3d 1378 (Fed. Cir. 2010); *In re Biosearch Techs., Inc.*, 452 F. App'x 986 (Fed. Cir. 2011); *In re Morgan Stanley*, 417 F. App'x 947 (Fed. Cir. 2011) (per curiam); *In re Verizon Bus. Network Servs. Inc.*, 635 F.3d 559 (Fed. Cir. 2011); *In re Microsoft Corp.*, 630 F.3d 1361 (Fed. Cir. 2011).

fourth patent case nationwide has observed that a patent lawsuit "often ends before it begins":

> Early disposition typically results from a settlement between the parties before there is any appearance by counsel in open court. Often the first and last filing requiring the Court's attention is the submission of an agreed order of dismissal.

Iris Connex, LLC v. Dell, Inc., No. 2:15-cv-1915, 2017 WL 365634, at *1 (E.D. Tex. Jan. 25, 2017). This sort of situation means that procedural rules even slightly favoring one side or the other will have important, potentially dispositive, effects on outcomes.

1. Legal scholars have devoted entire articles to reviewing these local procedural rules and practices, and their effect on the concentration of patent cases in one district. The conclusions they reach are concerning for a system that strives for fairness in litigation.

Most recently, two commentators conducted a holistic review of patent litigation procedure in a variety of districts, and concluded: "Rather than any one explanation, we conclude that what makes the Eastern District so attractive to patent plaintiffs is the accumulated effect of several marginal advantages—particularly with respect to the relative timing of discovery deadlines, transfer decisions, and claim construction—that make it predictably expensive for accused infringers to defend patent suits filed in East Texas." Love & Yoon, *supra*, at 1.

Preceding those commentators were two scholars of law and history, who reviewed patent practice in the Eastern District of Texas. They identified eight "procedural deviations" in that district, practices they called "fo-

rum selling." Daniel Klerman & Greg Reilly, *Forum Selling*, 89 S. Cal. L. Rev. 241, 250 (2016).[9] Ultimately, they determined that the "cumulative effect" of these practices "tilts the handling of patent cases in the Eastern District of Texas in favor of patentees." *Id.*

A further scholar reviewed the history of forum shopping in patent cases from 1970 through today. He concludes that "forum shopping in patent law is driven, at least in part, by federal district courts competing for litigants." J. Jonas Anderson, *Court Competition for Patent Cases*, 163 U. Pa. L. Rev. 631, 634 (2015).

Reviewing this and the previously discussed study, another scholar found the special procedural rules in the Eastern District of Texas so concerning that he described patent procedure as "an unimpeded field for federal district courts to 'race to the bottom' by selling their courts as plaintiff-friendly environments for patent litigation," a race held "at the expense of our national innovation policy." Sag, *supra*, at 1105.

2. In many cases, the patent owner benefits of the Eastern District of Texas arise not from its substantive decisions but from the timing of those decisions. The district is famous as a "rocket docket," demanding rapid discovery and trial from the parties. *See, e.g.*, Klerman & Reilly, *supra*, at 265–68. But not everything is rapid in the district: Certain motions that would otherwise save defendants substantial costs and resources are regularly

[9] These included summary judgment practice, predictable assignment of judges, liberal joinder of unrelated parties, case management rules unfavorable to joined defendants, refusal to transfer cases out for inconvenience, refusal to stay proceedings during copending reexamination of the patents, tight deadlines for discovery and other pretrial matters, and automatic rules requiring up-front, costly document production. *See id.* at 250–70.

delayed there. Summary judgment takes a median of 1053 days from case filing, compared to a national median of 911 days. *See* Love & Yoon, *supra*, at 10 tbl.6. In one extreme case, summary judgment of invalidity was granted *after* trial, despite a request to have that motion heard almost a year earlier. *Compare Gonzalez v. Infostream Group, Inc.*, No. 2:14-cv-906, 2016 WL 1643313 (E.D. Tex. Apr. 26, 2016), *with* Letter Brief Requesting Leave to File Summary Judgment of Invalidity, *Gonzalez*, 2016 WL 1643313 (July 16, 2015).

Delays in venue transfer motions under § 1404 are also troublingly long. The national average for deciding such motions is 232 days from case filing, but in the Eastern District of Texas the median is 340 days. *See* Love & Yoon, *supra*, at 17 tbl.5. That difference is more concerning because the judge with the largest patent docket in that district requires completion of discovery in 292 days from filing—meaning that the entire cost of discovery is often borne before a decision on whether the forum was inconvenient. *See id.* at 21 fig.1.

Case after case shows that § 1404 motions bear little fruit in this one district. In *Iris Connex*, a venue transfer motion sat pending and unresolved all the way through final judgment and even disposition of an attorney fee motion.[10] *See* 2017 WL 365634, at *27 n.16. In *In re Google Inc.*, the same district court sat on a transfer motion while

[10]The possibility of an attorney fee award does not alleviate the harms of improper venue. For one thing, another characteristic discrepancy of the Eastern District of Texas is that it does not award attorney fees with the same frequency as other districts. *See* Love & Yoon, *supra*, at 33 & tbl.13. Furthermore, attorney fee awards are only proper in "exceptional cases," and improper venue can cause costly harm even in mine-run cases. 35 U.S.C. § 285; *Octane Fitness, LLC v. Icon Health & Fitness, Inc.*, 134 S. Ct. 1749, 1756 (2014).

eight months of "extensive discovery" proceeded; it took a writ of mandamus from the appellate court to force a ruling on the transfer motion. No. 15-138, 2015 WL 5294800, at *1–2 (Fed. Cir. July 16, 2015); *see Brite Smart Corp. v. Google Inc.*, No. 2:14-cv-760, 2015 WL 4638215 (E.D. Tex. Aug. 3, 2015).

Procedural discrepancies like these force defendants to engage in litigation that could have been avoided and would have been avoided in other districts through quickly-disposed motion practice. Such discrepancies work to the advantage of patent owners, attracting them to the courts that offer those discrepancies.

No malice or ill intent need be ascribed to courts engaged in the practices thus described. But even absent bad faith, some district courts will inevitably tend to favor one side and some will tend toward the other. When patent owners have complete pick of the lot, the cases will inevitably gravitate to the most favorable forums.

This may be the natural result, but it is not a fair one. Venue law exists to remedy exactly this situation, and to strive toward ideals of fairness rather than tendencies of common nature.

C. Forum Shopping and Procedural Tilts Especially Harm Small Companies and Innovators

The concentration of cases in front of one court (and largely one judge) especially harms small innovators. Small companies, innovators, and end users are the ones least able to travel to a distant forum and learn the procedures of a new jurisdiction. They are thus most likely to succumb to undue settlement pressure made only greater by the ability of patent owners to forum-shop.

Patent litigation can be extremely costly. Even small lawsuits with less than $1 million in controversy can cost an average of $400,000 through discovery alone, by one estimate. *See* Am. Intellectual Prop. Law Ass'n, *2015 Report of the Economic Survey: Summary Report* 37 (2015), *available at* URL *supra* p. vii. Large companies can stomach these costs, however unpleasant they may be. But small companies often cannot.

As a result, patent owners force small defendants into settlements based on expected costs of litigation, even on the most borderline frivolous claims—a phenomenon that many courts have seen first-hand. *See Eon-Net LP v. Flagstar Bancorp*, 653 F.3d 1314, 1326 (Fed. Cir. 2011) (describing this practice as having "indicia of extortion"); *Iris Connex*, 2017 WL 365634, at *3, 14 (noting that 17 defendants had settled a case that was "not only implausible but nonsensical"); *see also Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1935 (2016) (describing entities who practice this strategy as "[t]rolls, in the patois of the patent community").

A patent owner seeking a higher settlement payout, then, would seek to ratchet up the cost of litigation, and one of the easiest ways to do so is to file suit in a distant and costly venue. This is exactly what happens today. Of patent case defendants making less than $10 million in revenue a year, 69% should have had their cases filed elsewhere under this Court's controlling precedents. Colleen V. Chien & Michael Risch, *Recalibrating Patent Venue* 42 (Santa Clara Univ. Legal Studies, Research Paper No. 10-1, Oct. 6, 2016), *available at* URL *supra* p. vii. Yet due to *VE Holding*, these small defendants are stuck in a wrong and inconvenient forum, often the Eastern District of Texas.

A small defendant stuck there has little hope of getting out. As noted above, venue transfer under § 1404 is a losing cause in the Eastern District of Texas. Well-funded companies can pay for mandamus petitions and attendant jurisdictional discovery to force a venue transfer, but small companies—who in all likelihood have the most meritorious cases for transfer—may not be able to afford the costs.

Erroneously broad venue thus plays directly into the ongoing problem of abusive patent assertion that undermines small businesses and innovators. This practical consequence of *VE Holding* bolsters the need to reverse that decision and return to this Court's previously controlling precedents.

III. Policy Arguments and Interests of Patent Owners Do Not Outweigh These Fairness Concerns

Respondent and supporting *amici* will likely proffer policy justifications for acquiescing in the Federal Circuit's error enabling broad patent venue. But these arguments do not withstand scrutiny, especially in light of the harms of forum shopping and forum selling.

A. Multidistrict Litigation, Not Broad Venue, Is the Right Tool for Suing Multiple Infringers

There is a legitimate concern that patent owners, facing multiple infringers in different locations, may need to file lawsuits in multiple districts in order to obtain relief. However, this Court has already rejected a bid to interpret venue permissibly to accommodate this exact concern. *See Leroy*, 443 U.S. at 184 (discussed *supra* p. 6).

Instead, Congress currently provides a mechanism to lessen these risks: multidistrict litigation. *See* 28 U.S.C. § 1407. "When civil actions involving one or more common questions of fact are pending in different districts, such actions may be transferred to *any* district for coordinated or consolidated pretrial proceedings." § 1407(a).

Multidistrict litigation procedure was designed with patent cases in mind. Prior to *VE Holding*, the Executive Attorney for the Judicial Panel on Multidistrict Litigation listed "patent, copyright, [and] trademark" as among the "[t]ypical subject-matter areas of Panel involvement." *See* Robert A. Cahn, *A Look at the Judicial Panel on Multidistrict Litigation*, 72 F.R.D. 211, 214 (1977).

Importantly, the Judicial Panel on Multidistrict Litigation helps ensure fairness in venue to both sides of the "*v*": it considers the "convenience of parties and witnesses" in choosing a consolidated pre-trial forum. 28 U.S.C. § 1407(a). It also ensures no one forum is overwhelmed with patent cases. *See* § 1407(b). Thus, besides addressing patent owners' multiple-lawsuit concern, multidistrict litigation further emphasizes the relevance of fairness in venue law.

B. Supposed Judicial Specialization Does Not Justify Forum Shopping

One might see a silver lining in the concentration of patent cases into a single judicial district: That district court would develop specialization in patent law. Yet, even assuming that this is true and assuming that the resulting "specialization" would be unbiased, judicial specialization would not justify a rewriting of venue law because Congress has specifically sought to avoid single-tribunal specialization.

In 2011, Congress created the "patent pilot program," designed to "encourage enhancement of expertise in patent cases among district judges." Patent Cases Pilot Program Act, Pub. L. No. 111-349, pmbl., 124 Stat. 3674 (2011) (codified at 28 U.S.C. § 137, hist. n.). Significantly, the Act guarantees a diversity of opinions and venues: The Act requires the program to encompass at least six different districts from at least three different judicial circuits. *Id.* § 1(b).

The Federal Circuit may be cited as another example of judicial specialization in patent law, but legislative intent belies that assumption. In establishing the new appeals court, the House report specifically took note that:

> The proposed new court is not a "specialized court." Its jurisdiction is not limited to one type of case, or even to two or three types of cases. Rather, it has a varied docket spanning a broad range of legal issues and types of cases.

H.R. Rep. No. 97-312, at 19 (1981). Consistent with this, the Federal Circuit also hears appeals of veterans' cases and certain administrative agency appeals. *See* 38 U.S.C. § 7292(c); 28 U.S.C. § 1295(a)(2)–(14). The creation of the Federal Circuit shows that Congress viewed specialist courts as undesirable and a thing to be avoided.

Subject matter expertise is certainly valuable, but so is diversity of thought and breadth of knowledge. Congress has worked to ensure that different voices can raise differing ideas regarding the sometimes idiosyncratic rules of patent litigation. By concentrating a fourth of cases in front of a single judge, the judicially-created venue rule of *VE Holding* works to undermine Congress' measured approach.

C. Patent Owners Currently Do Not Often Depend on Benefits of Home District Litigation

It might be argued that expansive venue is needed in patent cases to assist small inventors unable bear the high costs of bringing an infringement lawsuit in a foreign district. Obviously the small-entity concern cuts both ways—narrow venue assists small business defendants lacking funds to defend in a foreign district—but it is worth considering whether the value of home-district litigation to patent owners might outweigh the costs of unfairness and inconvenience to defendants.

But the empirical data tells an opposite story, that home-district advantage is of minimal value to patent owners. A recent study estimated that operating companies asserting patents sue in their own district less than half the time. Chien & Risch, *supra*, at 31.

Although non-practicing patent owners bring suit more often in their home district, the numbers are likely inflated by the well-known practice of patent owners setting up sham offices in the Eastern District of Texas. *Id.*; *see* Edgar Walters, *Tech Companies Fight Back Against Patent Lawsuits*, N.Y. Times, Jan. 23, 2014, at A23A, *available at* URL *supra* p. viii (describing "empty offices with telephone lines that no one answers"); *Network Prot. Scis., LLC v. Fortinet, Inc.*, No. 12-cv-1106, 2013 WL 4479336, at *7 (N.D. Cal. Aug. 20, 2013) (patent owner "rented a windowless file-cabinet room with no employees in Texas"); *When Patents Attack!*, This Am. Life (July 22, 2011), URL *supra* p. viii. Venue gamesmanship like this contradicts the idea that patent owners derive substantial benefit from bringing suit in their home districts.

IV. Patent Law Merits Unique Venue Rules Distinct from Other Litigation

Certainly as a general matter patent law is not exceptional, and rules of general applicability ordinarily should apply equally to patent law. *See Medtronic, Inc. v. Mirowski Family Ventures, LLC*, 134 S. Ct. 843, 849 (2014). But in the case of venue, there is good reason to abide by the longstanding view that patent cases are treated under a different rule than general litigation.

1. At the outset, it must be observed that the divergence of patent venue from general venue enjoys a long, unbroken pedigree. This Court first suggested that patent cases might fall under a different venue rule than other cases in *In re Hohorst*, 150 U.S. 653 (1893), and *In re Keasbey & Mattison Co.*, 160 U.S. 221 (1895). The lower courts thereafter treated venue in patent cases under different rules than the general venue statute. *See* note 4 *supra* p. 7. Congress responded to this development by enacting a patent venue statute specifically designed to diverge from, not reconcile with, the general venue law. Act of Mar. 3, 1897, ch. 395, 29 Stat. 695.[11]

Thereafter, this Court has consistently held that "Congress placed patent infringement cases in a class by themselves, outside the scope of general venue legislation." *Brunette Mach. Works, Ltd. v. Kockum Indus., Inc.*, 406 U.S. 706, 713 (1972); *see Stonite*, 315 U.S. at 566–67; *Fourco*, 353 U.S. at 228–29; *Schnell*, 365 U.S. at 262;

[11] In debate over that act, Representative Payne was "not able to see why cases of infringement of patents should be taken out of the law and a special rule adopted as to them." 29 Cong. Rec. at 1901. The bill's sponsor did not dispute this, but contended that the divergence of patent venue was useful in view of economic development in the western United States; this observation apparently satisfied the criticism. *See id.* at 1902 (statements of Reps. Lacey and Payne).

Pure Oil, 384 U.S. at 206–07; *Cortez Byrd Chips, Inc. v. Bill Harbert Constr. Co.*, 529 U.S. 193, 204 (2000).

Given this century-long line of law, *stare decisis* and the aversion to implicit legislative abrogation suffice to affirm this line and to reverse the Federal Circuit.

2. But it is not just judicial history and practice that favor reversal: The unique nature of patent cases also suggests a need for unique venue rules. Petitioner identifies at least two attributes of patent litigation supporting this result, namely the Federal Circuit's expansive rules of personal jurisdiction,[12] *see* Br. Pet'r 35–36, and the strict liability nature of patent infringement, *see id.* at 33–34. A third reason may be found in the special patent rules that many district courts apply.

Patent-specific procedural rules are pervasive in district courts. Congress has encouraged adoption of patent local rules, and at least eleven district courts have them.[13] These rules are unsurprising, given the litany of special proceedings and hearings in patent cases: *Markman* hearings,[14] invalidity and infringement contentions, motions to dismiss under *Alice*,[15] and so on.

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[12]To elaborate briefly: The Federal Circuit expansively construes personal jurisdiction with regard to alleged infringers, but narrowly construes personal jurisdiction with regard to declaratory judgment defendants. *See Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558, 1566 (Fed. Cir. 1994); *Red Wing Shoe Co. v. Hockerson-Halberstadt, Inc.*, 148 F.3d 1355, 1361 (Fed. Cir. 1998). These two decisions enhance the patent plaintiff's power to control choice of forum. *See generally* Br. Am. Cur. EFF & PK (Pet. Stage) 7–14.

[13]Patent Cases Pilot Program Act § 1(b)(2)(A)(ii); *see* James Ware & Brian Davy, *The History, Content, Application and Influence of the Northern District of California's Local Patent Rules*, 25 Santa Clara Computer & High Tech. L.J. 965, 1012 (2009).

[14]*Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996).

[15]*Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347 (2014).

Experience and dialogue among the courts is what allows procedural rules to develop and evolve to levels of fairness for all parties. With general-purpose rules of procedure, all district courts participate in and contribute to that experience and dialogue. But with local patent rules, only those courts that are actually trying patent cases will learn how those rules may be improved.

That learning depends on a diversity of forums before which patent cases are tried. Patent venue law applied under *Fourco* and its precedents helps to guarantee that diversity, but broad venue under *VE Holding*, which encourages forum shopping and gravitation to a single tribunal of plaintiffs' choice, does not.

In a patent case decided last Term, this Court recognized that judicial discretion could lead to unfairness and abuses, but felt confident that case law development would "channel the exercise of discretion" to avoid unfair results. *Halo*, 136 S. Ct. at 1935. That channel can be hewn only through a national conversation among courts, a conversation cut short when venue law instead channels all patent cases into one courthouse and all exercises of discretion into a handful of judges. Limited patent venue, as prevailed for a century before *VE Holding*, encourages that conversation, encourages practices that balance the interests between patent plaintiffs and defendants, and ultimately encourages fairness and justice for all.

CONCLUSION

For the foregoing reasons, the decision of the Court of Appeals should be reversed.

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Petitioner,

v.

KRAFT FOOD GROUP BRANDS LLC,

Respondent.

On Writ of Certiorari
to the United States Court of Appeals
for the Federal Circuit

BRIEF OF *AMICUS CURIAE* ENGINE ADVOCACY IN SUPPORT OF PETITIONER

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INTEREST OF AMICUS CURIAE

Amicus Engine Advocacy ("Engine") is a non-profit technology policy, research, and advocacy organization that bridges the gap between policymfrs and startups, working with government and a community of high-technology, growth-oriented startups across the nation to support the development of technology entrepreneurship.[1] Engine conducts research, organizes events, and spearheads campaigns to educate elected officials, the entrepreneur community, and the general public on issues vital to fostering technological innovation.

Engine seeks to bring to the Court's attention relevant perspectives on the impact of this case that are not likely to be fully presented by the parties. In particular, Engine submits this brief to highlight the damage to startups, small businesses, and small entrepreneurs and innovators caused by the Federal Circuit's interpretation of the venue statute, and the importance of a proper interpretation of that statute to American innovation and the economy as a whole.

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[1] The parties have consented to the filing of this brief; their written consents are on file with the Clerk. No counsel for a party authored this brief in whole or in part, and no party or counsel for a party made a monetary contribution intended to fund its preparation or submission. No person other than the *amici* or their counsel made a monetary contribution to the preparation or submission of this brief.

SUMMARY OF ARGUMENT

This case addresses the proper interpretation of federal venue statutes in patent cases. This brief addresses the forum shopping and selling enabled by the Federal Circuit's erroneous interpretations of those statutes. These errors have enabled rampant forum selling and shopping, and in turn contributed to the rise of the problem of patent assertion entities (PAEs), colloquially known as "patent trolls." They are causing ongoing damage to the innovators, startups, and small businesses that are the lifeblood of the American economy. Correcting the Federal Circuit's errors and returning to the venue rules Congress mandated will do much to end that damage.

In its decision below, the Federal Circuit continued to disregard the clear language of the patent venue statute, 28 U.S.C. § 1400(b), and this Court's precedent. This departure has no basis in the law. Rather, it takes a minor statutory clarification and uses it to effectively read § 1400(b) out of the law and drastically expand the scope of appropriate venue in patent cases.

Patent plaintiffs' ability to effectively file suit wherever they choose causes harm in multiple ways. Defending a patent suit is always expensive. But doing so in a faraway district where a defendant has no presence and essentially no connection greatly increases that expense. Companies must pay out of pocket for lawyers and employees to fly, stay, and litigate, and their business must pay in even greater ways such as losing days or weeks of key employees' time that would otherwise be spent innovating or growing the business.

Worse, the largely unlimited ability of plaintiffs to select any district in which to sue has led to forum selling and forum shopping. A small number of districts offer patent plaintiff-friendly rules, procedures and jury pools, increasing the risk of defending a suit and compounding the pressure to settle. Unsurprisingly, this has resulted in the concentration of the vast majority of patent suits in those districts despite the lack of any significant connection to the defendants or indeed, to innovation generally.

The ability of patent plaintiffs to choose their preferred district (and often, with high probability, their preferred judge), has contributed heavily to the growing problem of PAEs. PAEs produce no products or services, but instead assert often weak patents against defendants—often startups and small companies—who are likely to have no choice but to settle rather than face the expense and risk of trying a case in a far-off-venue with costs, rules and jurors that place them at a known disadvantage.

The problem is far from theoretical. Over a third of the nation's patent litigation—and in particular, PAE litigation—is now pursued in front of two judges in a single district: the Eastern District of Texas. Yet only a small minority of defendants have any real presence in or connection to that district. Much of the remaining patent litigation takes place in a small handful of other districts. The Eastern District of Texas in particular exemplifies the forum shopping and forum selling problems that are facilitated by the erroneous ruling below.

This situation is causing particular harm to small entrepreneurs and innovators and, in turn, the

American economy. Startups and small businesses are responsible for the majority of net job increases in the United States, and contribute disproportionately to economic growth. But these same startups and small business are particularly vulnerable to threats of litigation—particularly litigation in an unfriendly, distant district. The cost of defending such a lawsuit is often prohibitive, and even the cost of settlement is often enough to cripple a new venture, discourage investment, or simply put a startup out of business.

By ignoring Congress's intent to limit where defendants in patent cases can properly be sued, the Federal Circuit has allowed the development of a handful of patent-friendly districts. Lawsuits by legitimate operating companies as well as PAEs in these districts impose significant costs and burdens on businesses in general, but particularly on the small innovators and entrepreneurs. Amicus therefore urges this Court to reverse the Federal Circuit's erroneously flawed venue rule, restore Congress's intended limitations on the scope of patent venue, and halt the ongoing damage caused to innovation, entrepreneurship and the economy.

ARGUMENT

I. The Federal Circuit Ignored the Plain Language of § 1400(b) and This Court's Precedent Regarding Venue in Patent Cases.

In 1948, Congress enacted 28 U.S.C. § 1400(b), establishing that patent venue is proper "in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place

of business." Nearly ten years later, this Court clarified that "28 U.S.C. § 1400(b) . . . is the sole and exclusive provision controlling venue in patent infringement actions, and that it is not to be supplemented by the provisions of 28 U.S.C. § 1391(c) [which governs venue in civil actions generally]." *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222, 229 (1957). This Court has never deviated from its determination that the sole statute governing patent venue is 28 U.S.C. § 1400(b).

Thus, for decades the law was clear that corporate defendants in patent cases could only be sued where they were incorporated[2] or where they had a regular and established place of business *and* had committed acts of infringement. In 1990, however, the Federal Circuit, relying on a ministerial change to 28 U.S.C. § 1391 that modified the definition of residence from "for venue purposes" to "for purposes of venue under this chapter," abandoned this Court's longstanding venue precedent. *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1583 (Fed. Cir. 1990). That decision effectively rendered § 1400(b) a nullity by collapsing the requirements of venue in patent cases with the requirements of personal jurisdiction in civil cases generally. *See id.*

VE Holding dramatically expanded where defendants in patent cases can be sued. Now, the

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[2] "[T]he residence of a corporation for purposes of § 1400(b) is its place of incorporation." *Brunette Mach. Works, Ltd. v. Kockum Indus., Inc.*, 406 U.S. 706, 707 n.2 (1972).

Federal Circuit's decision below perpetuates that expansion by concluding that Congress's 2011 amendments to § 1391 did not undermine *VE Holding Corp.'s* abandonment of § 1400(b) and *Fourco*. *See* J.A. at 40a.

Under the Federal Circuit's rule, patent plaintiffs remain able to sue accused infringers anywhere personal jurisdiction exists. In most patent cases, that means that a patent owner can choose from almost any judicial district in the nation. This is a far cry from the venue rule crafted by Congress in § 1400(b) and upheld by this Court in *Fourco*, a rule that limited patent suits to only where the defendant is incorporated or has a regular and established place of business and commits an act of infringement.

II. The Federal Circuit's Erroneous Rule Imposes Additional Costs and Burdens on Companies Accused of Patent Infringement, Especially Small Innovators and Entrepreneurs.

Permitting patent plaintiffs to sue alleged infringers anywhere in the country, no matter how far removed from the defendant's place of business, significantly raises the costs of defending such suits and imposes particularly heavy burdens on startups and small businesses, the engines of innovation in the American economy. Diverting valuable resources to pay added litigation costs often means that small firms and innovators are unable to cover their existing expenses, hire new employees, or launch new products. They may be forced to cancel new contracts or scale back on innovating new ideas through research and development. These limitations ripple

throughout the American economy, resulting in fewer jobs and reduced economic activity.

First, the costs of defending a patent infringement suit—even in a nearby district—are exorbitant. A study by the American Intellectual Property Law Association estimates that defense costs for suits with less than $1 million at stake filed by PAEs totaled $300,000 to the end of discovery and $500,000 to full resolution in 2015. Law Practice Mgmt. Comm., *2015 Report of the Economic Survey*, Am. Intellectual Prop. Law Ass'n, 38 (2015), http://files.ctctcdn.com/e79ee274201/b6ced6c3-d1ee-4ee7-9873-352dbe08d8fd.pdf.

Worse, though, having to defend a suit in a faraway district where a firm has no branch office, conducts no meaningful activity, and has no other recognizable connection creates substantial added costs that go well beyond the ordinary cost of litigation. Added costs include, but are not limited to, payments for airline travel, hotel rooms, car rentals, and other incidentals for counsel, paralegals, business officers, witnesses, and other personnel. Defending in a foreign district also often requires renting local office space for the hearing or trial team, renting temporary equipment for that "war room," shipping documents and materials, and hiring additional, local counsel. These direct, out-of-pocket costs can easily reach into the tens or even hundreds of thousands of dollars.[3]

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[3] For example, even for a thinly-staffed legal team (consisting of two attorneys, one in-house counsel, one paralegal, and three company witnesses) and a

But the real cost of being forced into a distant court goes well beyond these direct expenses. Businesses, especially small ones whose few employees are critical for ongoing operations, are especially burdened by the opportunity costs of litigation in far-away districts. The extra days that key employees must spend traveling for preparation and testimony are days the employees cannot spend innovating or operating their businesses. For example, a startup that relies on the work of a founder and two engineers would likely have to completely halt its research and development while those employees traveled to and remained for some time to serve as witnesses at a hearing or trial across the country. The burden on this company is considerably greater than it would be for a lawsuit filed in its home district, as mandated by § 1400(b).

III. The Federal Circuit's Rule Has Led to Forum Shopping, Forum Selling, and the Rise of Patent Assertion Entities.

The ability to bring a patent lawsuit anywhere in the country not only imposes extra costs on companies and individuals accused of infringement. It also has caused an unprecedented and unjustified concentration of patent cases in a few districts that would otherwise have no geographic or business connection to the party being sued. This rampant forum shopping has been exploited by PAEs, who run

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(continued)

short trial, a rough estimate of the *additional costs* of having to litigate in a distant forum is on the order of $50,000 or more.

to whichever courthouse has the friendliest rules for plaintiffs. It also has led to the appearance of forum selling in certain districts, exemplified by unseemly procedural advantages for plaintiffs and community and litigant behavior within those districts. The result is a host of burdensome and predatory litigation practices in patent suits that undermines the fairness of the patent litigation system and harms small businesses and entrepreneurs.

A. The Federal Circuit's Rule Has Resulted in an Anomalous and Nonsensical Concentration of Patent Cases in a Handful of Districts.

In 2001, before her elevation to the Federal Circuit, Judge Kimberly Moore surveyed forum shopping in patent cases. *See* Kimberly A. Moore, *Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation?*, 79 N.C. L. Rev. 889 (2001). Judge Moore ranked the ten districts that resolved the most patent cases between 1995 and 1999. *Id.* at 903 tbl.1. The busiest district at the time was the Central District of California, which saw 9.1% of all patent cases nationwide. *Id.* The Eastern District of Texas did not make Moore's list. *Id.*

Now fast-forward to 2015, when 43.6% of the nation's new patent cases were filed in the Eastern District of Texas. *See* Brian J. Love & James Yoon, *Predictably Expensive: A Critical Look at Patent Litigation in the Eastern District of Texas*, 20 Stan. Tech. L. Rev. 1, 8 tbl.1 (2017); *see also* Kaleigh Rogers, *The Small Town Judge Who Sees a Quarter of the Nation's Patent Cases*, Motherboard (May 5, 2016, 9:00 AM), http://motherboard.vice.com/read/the-small-town-judge-who-sees-a-quarter-of-the-

nations-patent-cases. In 2016, 62.6% of the nation's patent cases were filed in only five districts. Brian Howard, *Q4 Litigation Update*, Lex Machina, fig.4 (Jan. 12, 2017), https://lexmachina.com/q4-litigation-update/. Of these 62.6%, only 4.2% were in the Northern District of California, home to Silicon Valley and some of the largest and most innovative American companies. *Id.* Furthermore, only 6.4% and 5.5% were filed in the Central District of California and the Northern District of Illinois, respectively. *Id.*

Delaware's share was somewhat larger, at 10.1%, *id.*, but this is to be expected because Delaware is the state of incorporation for 50% of all public companies in the United States, and 60% of the Fortune 500. *See* Kent Greenfield, *Democracy and the Dominance of Delaware in Corporate Law*, 67 L. & Contemp. Probs. 135, 135 (2004). But the Eastern District of Texas, which is not a center of either incorporation nor innovation, received 36.4% of all 2016 patent case filings. Howard, *supra*, at fig.4. Texas' technology centers of Houston, Austin, and Dallas are not in the Eastern District and its hotspots for patent litigation, Marshall and Tyler.[4]

There are not significant numbers of inventors, original patent assignees, or accused infringers based in the Eastern District. *See id.* at 10-11 (reporting

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[4] The only part of the district that contains any part of these technology centers, the Sherman Division, hears just a tiny proportion of the district's patent cases. *Id.* at 7 n.26 (reporting that from 2014 to mid-2016, the Sherman Division presided over 44 of the 4,736 patent cases filed in the Eastern District).

that, from 2014 to mid-2016, only 14.8% of patent cases in the Eastern District involved an inventor identified by the patent as residing in the district, *or* an original assignee identified in the same way, *or* a first-named defendant with a branch office in the district; in the Northern District of California, this number was 87.6%). Nevertheless, the Eastern District has become emblematic of the rampant patent forum shopping encouraged by the Federal Circuit's rejection of § 1400(b). More patent cases were filed in the Eastern District than in any other district court in eight of the past ten years,[5] including the last six years. *See* Daniel Klerman & Greg Reilly, *Forum Selling*, 89 S. Cal. L. Rev. 241, 249 tbl.1 (2016) (reporting case count by district for 2007 through 2014); Love & Yoon, *supra*, at 8 tbl.1 (reporting the same for 2015); Howard, *supra*, at fig.4 (reporting the same for 2016). From 2009 to 2015, the proportional share of patent cases heard by the district has increased from 9% of all patent cases in 2009, Klerman & Reilly, *supra*, at 249 tbl.1, to 43.6% in 2015. Love & Yoon, *supra*, at 8 tbl.1.

Moreover, since 2014 over *one fourth* of the nation's patent cases were heard by *a single* judge, Judge Rodney Gilstrap of the Eastern District. Love & Yoon, *supra*, at 6. This is more than the number of patent cases filed in California, New York, and Florida combined. *Id.* (reporting 3,166 patent suits

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[5] In the two years where the Eastern District of Texas was not the most popular forum, it was the second most popular.

before Judge Gilstrap, and 2,656 in California, Florida, and New York, combined).

PAEs are responsible for the massive numbers of patent cases in this district, in spite of the absence of actual inventors or infringers. From 2014 to mid-2016, 93.9% of patent cases brought in the Eastern District of Texas were filed by PAEs, well above the nationwide average of 62.9%. *Id.* at 9 tbl.2. This happens because forum shopping is so easy and widespread under the Federal Circuit's venue rule. PAEs can choose the most favorable district in which to file their cases, and they overwhelmingly choose the Eastern District of Texas.

B. The Eastern District of Texas Exemplifies the Cycle of Forum Shopping, Forum Selling and Burdensome Litigation Practices That Results from the Federal Circuit's Venue Rule.

The burdens on defendants created by the Federal Circuit's rule are especially pronounced in the Eastern District of Texas. As the statistics described above demonstrate, plaintiffs, and particularly PAEs, choose the District in large numbers. This forum shopping goes hand in hand with a range of plaintiff-friendly actions in the District, including idiosyncratic procedures that favor plaintiffs and help PAEs to force extortionate settlements, and notably higher success rates for plaintiffs in settlement and at trial.

i. The Eastern District of Texas Exhibits Abnormal Forum-Selling and Litigant Gamesmanship That Undermine the Appearance of Integrity of the Patent Litigation System.

The outsized concentration of patent cases in the Eastern District is accompanied by various efforts to "sell" the District as a favorable haven for patent owners, and to proactively bolster the reputation of repeat litigants in the district.[6] Such actions are highly abnormal and disturbing when viewed from the perspective of any other district. They serve to undermine at least the appearance of fairness and integrity of the courts and the patent litigation system.

It is common knowledge that the Eastern District and its courts in Marshall and Tyler have become notorious as the center of PAE activity and of patent suits generally. This notoriety is reflected in a seemingly endless stream of popular press and law review articles over the last ten years analyzing the phenomenon. It may have reached its peak of public awareness in 2015, with an extended critique by well-known satirist John Oliver on his HBO show *Last Week Tonight*. *See* LastWeekTonight, *Patents: Last Week Tonight with John Oliver (HBO)*, YouTube, 7:10-8:37 (Apr. 19, 2015) https://www.youtube.com/watch?v=3bxcc3SM_KA (characterizing the PAE

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[6] For an extensive analysis of forum selling in the Eastern District of Texas, *see* Klerman & Reilly, *supra*, at 250-77.

problem as a result of the plaintiff-friendly nature of judges and juries in the Eastern District, and noting how "big companies are having to go to absurd lengths to pander to the people of Marshall, Texas").[7] The district's notoriety even extended to oral arguments in this Court in March of 2006, where Justice Scalia quipped about "a problem with Marshall, Texas" and "renegade jurisdictions." Transcript of Oral Argument at 10-11, *eBay Inc. v. MercExchange LLC*, 547 U.S. 388 (2006) (No. 05-130).

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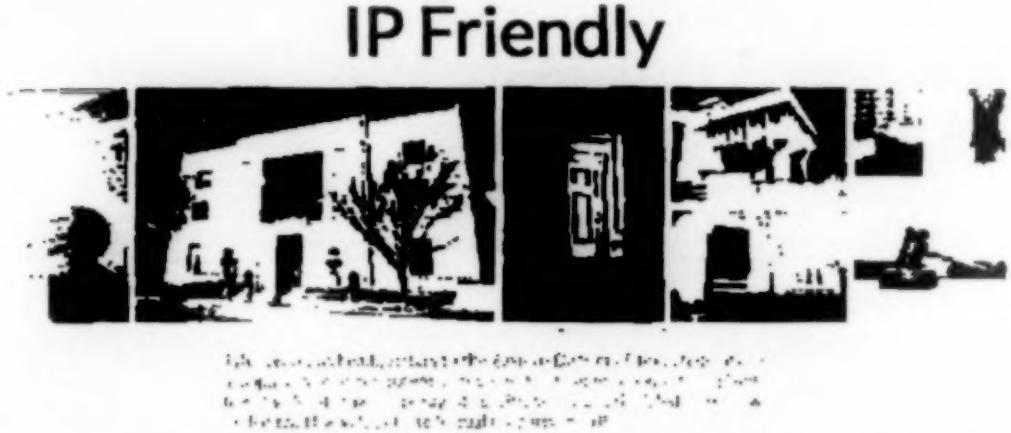
[7] Similarly, an episode of the popular public radio program *This American Life* detailed the practices of PAEs in Marshall in an episode titled, "When Patents Attack!" *See 441: When Patents Attack!*, This Am. Life (Jul. 22, 2011), https://www.thisamericanlife.org/radio-archives/episode/441/transcript. The episode investigated an office building on the town's main square, two doors down from the federal courthouse, that reportedly was "ground zero" for many companies that brought patent suits in Marshall. *Id.* The building showed no sign of activity inside. *Id.* ("All the . . . doors looked exactly the same: locked, name plates over the door, no light coming out. It was a corridor of silent, empty offices.") A local attorney stated that he did know of any employees working inside, and that he doubted the offices were ever occupied. *Id.*; *see also*, Austin Meyer, *The Patent Scam*, 15:55-16:00 http://www.thepatentscam.com/ (describing a similar search for PAEs in the Eastern District that revealed only dozens of empty offices, "fake addresses[,] and abandoned office buildings").

One prominent example of forum selling in the Eastern District that underlies this notoriety is a website titled "Tyler4Tech," created by a group of local businesses and organizations to encourage technology companies to "[l]ocate your tech company to Tyler[,] Texas." Tyler4Tech, *Tyler4Tech*, http://tyler4tech.com/index.html (last visited Jan. 31, 2017), *archived at* https://perma.cc/E6T8-JAST. One of the four prominent reasons to locate in Tyler trumpeted on the site's front page is that the area is "IP Friendly." One click leads to a sub-page, shown in the image below, that features the title "IP Friendly" in large red letters followed by images of the federal courthouse, a law-firm office and various patent- and law-related items. *See* Tyler4Tech, *IP Friendly*, http://tyler4tech.com/ipfriendly.html (last visited Jan. 31, 2017), *archived at* https://perma.cc/JT7C-GVVL.



The page explains that Tyler is "a popular venue for patent cases due to its judicial expertise, plaintiff-friendly local rules, speedy dispositions, and principled jurors who understand the value of Intellectual Property." *Id.* The page also touts that Tyler has "a network of local attorneys skilled in patent litigation and IP matters." *Id.* It concludes

with the assurance that local, "principled jurors in East Texas show a propensity for understanding the true value of Intellectual Property and have awarded IP owners appropriately," and then lists seven large jury verdicts in the district against major technology companies including Samsung, Apple, Microsoft, Dell, and Toshiba, *totaling over $1 billion. Id.*

These promotional efforts are not surprising given that the surge in patent litigation in Marshall and Tyler has become an important part of the broader economy of the area. *See* Klerman & Reilly, *supra*, at 273-74 (noting that many area businesses, including legal office space, hotels, and restaurants, were started or expanded in large part based on the litigation boom, and that an end to the boom would "devastate" the local economy, with "dire financial consequences for many local lawyers and citizens"); *see also* Loren Steffy, *Patently Unfair*, Texas Monthly (Oct. 2014), http://www.texasmonthly.com/politics/patently-unfair/ (recounting the history of Marshall becoming the center of patent litigation and noting that trials there have "brought prosperity to the town").

The absurdity of this situation is vividly reflected in the lengths to which patent litigants in the Eastern District find themselves compelled to go in order to even out the playing field. A prominent example is Samsung, a Korean electronics giant that has been sued for patent infringement in the Eastern District of Texas dozens of times over the last ten years. As the lawsuits have proliferated, Samsung has, quite understandably, embarked on a host of highly visible charitable and civic activities in both Marshall and Tyler.

For example, for a number of recent years, Samsung sponsored an outdoor ice-skating rink, prominently labeled with the Samsung name and corporate logo (see image below), in the downtown square of Marshall just steps from the federal courthouse where patent cases are heard. *See* Joe Mullin, *Patent Troll Claims to Own Bluetooth, Scores $15.7M Verdict Against Samsung*, Ars Technica (Feb. 17, 2015), https://arstechnica.com/tech-policy/2015/02/patent-troll-claims-to-own-bluetooth-scores-15-7m-verdict-against-samsung/; *see also* LastWeekTonight, *supra*, at 7:52-8:22 (displaying the Samsung ice rink and describing the firm's community contributions).

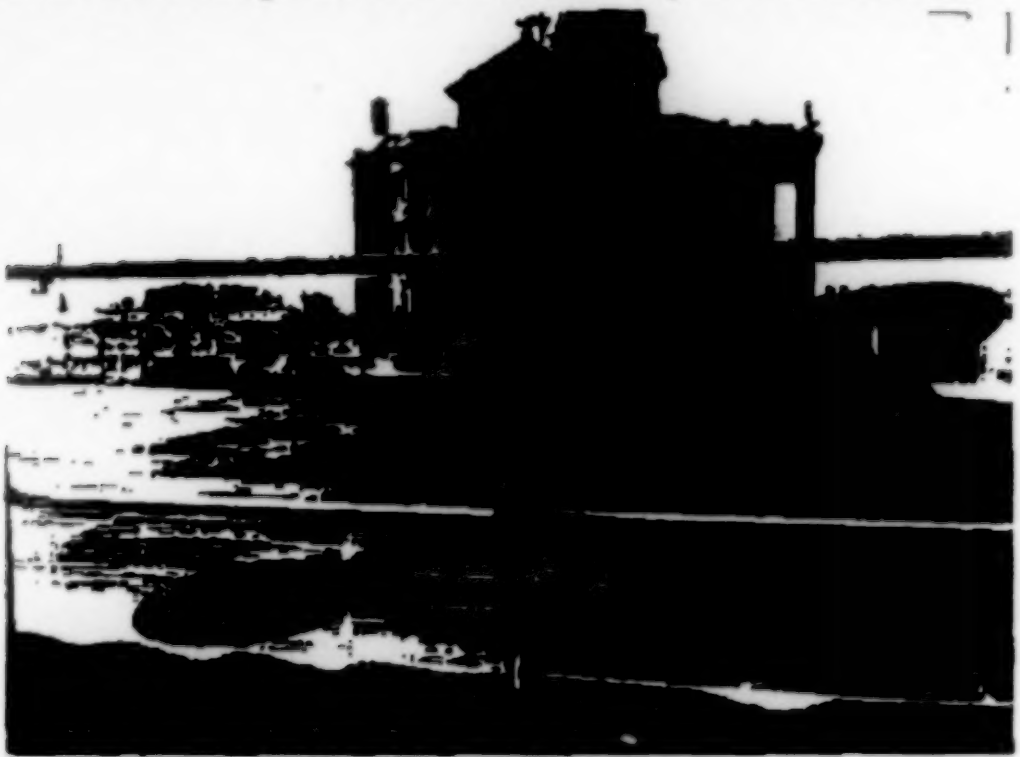


Image from Mullin, *Patent Troll, supra*.

Samsung also reportedly has sponsored the Samsung Holiday Celebration Show, which opens the Marshall Wonderland of Lights Festival, *see Wonderland of Lights Festival Underway in Marshall*, My East Texas (Dec. 9, 2013),

http://myetx.com/wonderland-of-lights-festival-underway-in-marshall/, as well as the Samsung Stagecoach Days held in Marshall each May. *See* Zusha Elinson, *IP Trial Strategy: Buying Tivo's Bull*, The Recorder (June 25, 2009), http://www.therecorder.com/id=1202431746710/IP-Trial-Strategy-Buying-Tivos-Bull.

In addition to the Samsung Ice Rink, the Samsung Holiday Show, and the Samsung Stagecoach Days, the company reportedly also funded $50,000 in college scholarships for high school students in Marshall and Tyler in 2014. *See 7 East Texans Awarded More than $50,0000 from Samsung*, The Marshall News Messenger (May 16, 2014), https://www.marshallnewsmessenger.com/news/2014/may/16/7-east-texans-awarded-more-than-500000-from-samsun/. These scholarships were presented in the form of "photograph-worthy giant checks with a Samsung logo on them," images of which were often published in the local newspaper. Mullin, *Patent Troll*, *supra*. This built on Samsung's donation in 2012 of $25,000 in scholarship money to Marshall high school students. *See Some Good News to Ponder Before Thanksgiving*, The Marshall News Messenger (Nov. 20, 2012), https://www.marshallnewsmessenger.com/news/2012/nov/20/some-good-news-to-ponder-before-thanksgiving/.

Samsung did even more in 2014, making donations to a host of other local organizations in Tyler and Marshall, including the East Texas Food Bank, the Boys and Girls Club of East Texas, Marshall Public Library, Tyler Public Library, and the Marshall and Tyler school districts. *See 7 East*

Texans Awarded More than $50,0000 from Samsung, supra. The Marshall newspaper, reporting on the 2012 scholarships, described Samsung as "the South Korean company that has fortunately become *Marshall's benefactor*." *Some Good News to Ponder Before Thanksgiving, supra* (emphasis added).

It would be difficult to fault Samsung for responding to a flood of patent suits in the Eastern District of Texas by seeking to become a prominent benefactor to the Marshall and Tyler communities. Other litigants have taken similar steps. One example is TiVo, a San Carlos, California tech firm. In 2006, when TiVo was in the middle of a major patent trial in Marshall (where it was the plaintiff), the company reportedly bought the Grand Champion steer at auction during Marshall's Farm City Week for a then-record-setting price of $10,000. Soon afterward, following a winning verdict in its case, TiVo (which subsequently was both a defendant and plaintiff in several patent suits the Eastern District) reportedly took out a large advertisement in the *Marshall News Messenger* touting its purchase. *See* Elinson, *supra.* Other technology companies facing patent trials in Marshall, including Medtronic and OPTi, have also reportedly bought steers at Farm City Week auctions in Marshall. *Id.*

There is nothing inherently improper about these attempts by the local community to capitalize on the wave of patent litigation, or by litigants to establish positive reputations in the small towns in which they must repeatedly defend patent lawsuits. Those efforts, however, serve as unmistakable indicators that the Federal Circuit's sue-anywhere venue rule is leading to anomalous and undesirable effects that

call into question the fairness and integrity of patent litigation generally. And these effects are enabled by a range of procedural advantages that benefit plaintiffs in the Eastern District.

ii. The Eastern District of Texas Provides Plaintiffs with a Variety of Procedural Advantages.

Given the plaintiff-friendly nature of many of the Eastern District of Texas' patent litigation procedures and local rules, it is unsurprising that it is the chosen forum for so many patent owners who are able to pick any district in the nation.

1. For example, Eastern District's judges are anomalously hostile to summary judgment. *See, e.g.*, Klerman & Reilly, *supra*, at 252 tbl.2. (noting that from 2000 to 2015, the Eastern District of Texas resolved only 0.8% of its cases at summary judgment, which is half the rate of the next lowest district and less than a quarter of the national average of 3.7%); Love & Yoon, *supra*, at 18 (reporting that from 2014 to mid-2016, the Eastern District of Texas granted or partially granted 26.0% of summary judgment motions, far below the national average of 43.4%). This hostility is institutional. For example, from the time Judge Gilstrap took the bench in 2011 until mid-2016, he required patent litigants—and only patent litigants—to submit five-page letter briefs asking the court for permission before filing a motion for summary judgment. Ryan Davis, *Gilstrap Eases Filing of Patent Summary Judgment Motions*, Law360 (July 22, 2016, 7:15 PM), https://www.law360.com/articles/820536/gilstrap-eases-filing-of-patent-summary-judgment-motions. During this same period, the district's share of the

nation's patent cases shot up from 12% to 44%. *See* Klerman & Reilly, *supra*, at 249 tbl.1; Love & Yoon, *supra*, at 8 tbl.1.

The result of all this is that far more patent cases in the Eastern District of Texas (8.0%) go to trial than in the rest of the nation (2.8%). *See* Klerman & Reilly, *supra*, at 253 (citing Mark A. Lemley, *Where to File Your Patent Case*, 38 AIPLA Q.J. 401, 411-13 (2010)). Ultimately, this favors patentee plaintiffs because nationwide, patentees win 60% at the time at trial, but only 29% of the time at summary judgment. *Id.* at 251 (citing John R. Allison et al., *Understanding the Realities of Modern Patent Litigation*, 92 Tex. L. Rev. 1769, 1790 (2014)). In the Eastern District, the trial win rate for patentees is even higher: 72%. *Id.* at 254.

2. Similarly, judges of the Eastern District of Texas tend to be reluctant to invalidate asserted patents on the grounds of § 101 invalidity. *See, e.g.*, Brandon S. Bludau, Elliot C. Cook, & Darren M. Jiron, *Section 101 Metrics: Post-*Alice *District Court Rulings on Section 101 Motions*, Finnegan (Oct. 2015), http://www.finnegan.com/resources/articles/articlesdetail.aspx?news=44911826-d236-453f-a813-0759f6f3887e ("For patentees seeking to thwart a Section 101 attack, the Eastern District of Texas is by far the most favorable jurisdiction."). This Court instituted a rigorous standard for 35 U.S.C. § 101's patent subject-matter eligibility requirements in the context of computer-based patents in *Alice Corp. Pty. v. CLS Bank International*, 134 S. Ct. 2347, 2352 (2014). In the wake of that landmark decision, § 101 motions to dismiss have become an important tool for defendants to combat abusive litigation involving the

assertion of bad, i.e. ineligible, patents. *See, e.g.*, Daniel Nazer, *Happy Birthday Alice: Two Years Busting Bad Software Patents*, Electronic Frontier Foundation (June 20, 2016), https://www.eff.org/deeplinks/2016/06/happy-birthday-alice-two-years-busting-bad-software-patents.

The Eastern District of Texas, however, grants very few motions to dismiss on § 101 grounds. *See* Edward Tulin & Leslie Demers, *A Look at Post-Alice Rule 12 Motions Over the Last 2 Years*, Law360 (Jan. 27, 2017, 12:55 PM), https://www.law360.com/delaware/articles/882111/a-look-at-post-alice-rule-12-motions-over-the-last-2-years (reporting that from 2015 to 2016, the Eastern District of Texas denied 55% of § 101 motions to dismiss, compared to 27% in the District of Delaware and 30% in the Central District of California). It is also less receptive to § 101 challenges at summary judgment. *See* Bludau, *supra* (reporting that from 2014 to 2015, the summary judgment success rate for § 101 challenges was below 35% in the Eastern District of Texas, far less than almost 90% in the District of Delaware and over 75% in the Central District of California). In other words, although the *Alice* Court provided patent defendants with a useful defensive tool to defend against bad patents in litigation, the Eastern District of Texas has effectively rendered this tool weak and blunt.

3. Patentees in the Eastern District of Texas also benefit from accelerated discovery schedules (part of what is often described as the "rocket docket"), disproportionately burdening defendants. *See, e.g.*, Jacqueline Bell, *Texas Rocket Docket Faces New Surge of Patent Suits*, Law360 (Sept. 28, 2015, 9:23

PM), https://www.law360.com/articles/707840/texas-rocket-docket-faces-new-surge-of-patent-suits.

By nature, discovery in patent cases is usually more burdensome to defendants than to plaintiffs because "the bulk of the relevant evidence usually comes from the accused infringer," *In re Genentech, Inc.*, 566 F.3d 1338, 1345 (Fed. Cir. 2009) (internal quotation marks omitted). This is especially true when the plaintiff is a PAE, as PAEs "do not have commercial products and tend to have less complex business operations." Klerman & Reilly, *supra*, at 268. Discovery costs also tend to be "the single largest expense in patent litigation" for defendants. Love & Yoon, *supra*, at 22http://www.aipla.org/learningcenter/library/books/econsurvey/2015EconomicSurvey/Pages/default.aspx).

A comparison of typical scheduling orders from individual judges with large patent dockets in the Eastern District of Texas and the District of Delaware reveals that the former have discovery deadlines that are as much as 50 to 170 days earlier than the latter. *Id.* at 21-22.

This combination of a low likelihood of disposing of a case at summary judgment and the front-loaded cost of discovery encourages defendants to settle, either because they cannot afford to keep litigating, or because settlement would simply be cheaper than continuing to litigate, even to an eventual win. Reflecting these pressures, from January 2014 to June 2016, the Eastern District saw more settlements, earlier in litigation, compared with the rest of the nation. *See id.* at 14 tbl.4.

4. The Eastern District of Texas also allows plaintiffs to choose a division and, with high

probability, a particular judge. Unlike most district courts, where cases are assigned to judges randomly, the Eastern District of Texas assigns them based on the division in which they were filed. This effectively allows plaintiffs to choose a division via a drop-down menu when filing on the court's website. Klerman & Reilly, *supra*, at 254-55. Each division, meanwhile, "specifies *ex ante* via a public order the allocation of cases filed in each division. For example, at the outset of the Eastern District's popularity in 2006, patentees filing in the Marshall division were told they had a 70% chance of being assigned to Judge Ward." *Id.* at 255 (citing U.S. Dist. Ct. E.D. Tex. General Order 06-13). "[O]ver the past decade, a patentee filing in the Eastern District of Texas knew it had at least a 50% (and often far closer to 100%) chance of having a particular judge." *Id.* In this way, patentees not only enjoy district-wide procedural advantages, but can also shop for judges who they think will best implement those advantages in their cases.

5. Moreover, it is difficult for defendants to avoid these procedural disadvantages because the Eastern District of Texas has long been hostile to motions of transfer. For example, from 2012 to 2013 the District of Delaware granted 73 out of 109 (67%) transfer motions, while the Eastern District of Texas granted 133 of 253 (53%). Robert L. Uriarte, *How to Get Out of Dodge: Winning Patent Venue Transfer Strategies and the Federal Circuit*, Orrick (Mar. 19, 2014), https://www.orrick.com/Insights/2014/03/How-to-Get-Out-Of-Dodge-Winning-Patent-Venue-Transfer-Strategies-and-the-Federal-Circuit (pointing out that this disparity exists even though the legal standard

is actually more favorable to transfer in the Eastern District than it is in Delaware).

The continuing inequities of these results are underscored by the fact that "the Federal Circuit has taken the extraordinary step of issuing a writ of mandamus ordering the Eastern District to transfer a patent case four times since 2014, something it has otherwise done just once during the same period across all cases litigated in the other ninety-three districts." Love & Yoon, *supra*, at 16. But worse, even when the Eastern District does grant transfer, it does so much later in the pretrial process than does the average federal district. *Id.* at 16-17 (reporting that it takes a median of 340 days to transfer in the Eastern District, compared to the national median of 232, or 137 in the Northern District of California). So by the time of the ruling on the transfer motion, defendants will already have absorbed enormous costs, assuming they have not settled already.

6. Finally, the plaintiff-friendly procedures of the Eastern District of Texas are reinforced by defendants' inability to challenge them. As one commentator has noted, the "Eastern District's use of procedural rules and discretion in procedural matters to attract cases is almost completely shielded from appellate review by the abuse of discretion standard of review applicable to most procedural decisions, the harmless error doctrine, and the final judgment rule." Klerman & Reilly, *supra*, at 250. Thus, it is very hard for defendants to avoid or thwart the substantial disadvantages posed to them by the idiosyncratic procedural system.

Given all of the above, it is wholly unsurprising that plaintiffs, especially PAEs, choose to exercise

their basically unlimited choice of districts by suing in the Eastern District of Texas.

iii. Patentee Plaintiffs Win More Often in the Eastern District of Texas.

Patent plaintiffs in the Eastern District also enjoy much higher success rates than those in other districts. From 1995 to 2014, patent holders succeeded in the Eastern District of Texas 55% of the time (with success defined as an instance "where a liability decision was made in favor of the patent holder"), far above the national average of 33%. *2015 Patent Litigation Study*, PricewaterhouseCoopers, 15, 23 (May 2015), https://www.pwc.com/us/en/forensic-services/publications/assets/2015-pwc-patent-litigation-study.pdf. Narrowing the results to non-practicing-entity (NPE) litigation (which likely approximates PAE litigation) shows similar disparities: NPE plaintiffs successfully assert their patents 49% of the time in the Eastern District, but only 26% of the time nationwide. *Id.* at 16.

A major component of the PAE model is to pressure defendants into settling. *See generally* William H.J. Hubbard, *Sinking Costs to Force or Deter Settlement*, 32 J.L. Econ. & Org. 545, 545 (2015) ("The notion [behind nuisance litigation] is that the prospect of expensive litigation drives the defendant to pay a settlement despite knowing that, were the case to go to trial, the defendant would probably or certainly win."). As would be expected, settlement statistics from the Eastern District of Texas reflect resounding success for PAEs, at the expense of defendants: 87.5% of patent cases settled in the Eastern District of Texas, higher than the national average of 77.0%. Love & Yoon, *supra*, at 14

tbl.4. Moreover, 81.5% of these settlements occurred within a year into litigation in the Eastern District, again higher than the national average of 70.0%. *Id.*

C. A Return to § 1400(b) for Patent Venue Would Reduce Forum Shopping and Forum Selling and Restore Appropriate Fairness and Convenience.

Restoring § 1400(b) as the sole and exclusive rule for patent venue would substantially correct the current anomalous distribution of patent cases in the United States. In a statistical survey of 500 random patent cases corresponding to 665 defendants, only 30% of cases surveyed would have been eligible to be filed in the district in where they were currently filed if § 1400(b) governed patent venue. Colleen Chien et al., *What Would Happen to Patent Cases if They Couldn't All Be Filed in Texas?*, Patently-O (Mar. 11, 2016), http://patentlyo.com/patent/2016/03/happen-patent-couldnt.html. With a return to § 1400(b), 70% of patent plaintiffs would be required to file their claims in a different jurisdiction. *Id.* 62% of those cases would be filed in a jurisdiction in which the plaintiff had never filed. *Id.*

Returning to the specific venue provisions of § 1400(b) would also go a long way in breaking the Eastern District of Texas' incongruous grip on patent claims. If the venue rules of § 1400(b) were applied, it is estimated that 33% of cases would still be filed in the District of Delaware. *Id.* Likewise, 21% of cases would find their way to the Northern District of California. *Id.* And of course, that distribution would make much more practical sense, given that Delaware is the state of choice for incorporating a firm, and Northern California is home to Silicon

Valley. Both of these districts represent places where many corporations "reside" for § 1400(b) purposes. The Eastern District of Texas, however, would see its share of all patent cases drop to a much more reasonable 11%. *Id.*

Most importantly, a return to the Congressionally crafted patent venue provisions of § 1400(b) would mean that small businesses and innovators would much more often be able to defend a patent suit near their home and avoid the added costs and burdens of being dragged into court across the country or in East Texas.

While fixing venue alone won't completely fix the PAE problem, it will reduce the incentive to craft plaintiff friendly procedural rules and lead to more balanced rules across districts. It will make the PAE business model less appealing, less efficient, and less remunerative. And it will make it more affordable and feasible for businesses accused of infringement to mount an appropriate defense without unduly inconveniencing plaintiffs with legitimate patent claims.

IV. The Federal Circuit's Erroneous Interpretation of § 1400(b) Especially Handicaps Small Businesses and Startups, Reduces Innovation and Harms the American Economy.

The Federal Circuit's rule disadvantages patent defendants generally, but this burden is particularly heavy for smaller, younger, and less experienced companies such as startups or smaller entrepreneurs who are critical contributors to job growth and the American economy. The harms caused by the Federal Circuit's erroneous rule include operational hurdles

for individual defendants as well as overall drops in research and development, venture capital funding, and job growth across the economy as a whole.

A. Small Businesses and Startups are the Main Job Creators and Source of Growth in the American Economy Today.

New companies and startups are responsible for the vast majority of net job creation in the United States. *See* Tim Kane, *The Importance of Startups in Job Creation and Job Destruction*, Ewing Marion Kauffman Foundation, 2 (July 2010) http://www.kauffman.org/~/media/kauffman_org/research%20reports%20and%20covers/2010/07/firm_formation_importance_of_startups.pdf (finding *all* net job growth attributable to new companies and startups); Jason Wiens, *The Importance of Young Firms for Economic Growth*, Ewing Marion Kauffman Foundation (Sept. 14, 2015), http://www.kauffman.org/~/media/kauffman_org/resources/2014/entrepreneurship%20policy%20digest/september%202014/entrepreneurship_policy_digest_september2014.pdf (finding that startups and new firms account for nearly all net job growth, and declining startup rates threaten growth). Moreover, high-growth businesses, which tend to be young, account for nearly 50% of gross jobs created. Ryan Decker et al., *The Role of Entrepreneurship in US Job Creation and Economic Dynamism*, 28 J. Econ. Persp. 3, 4 (2014). In 2010, businesses that were less than one year old created approximately 2.5 million new jobs. *Entrepreneurship and the U.S. Economy*, Bureau of Lab. Stat., https://www.bls.gov/bdm/entrepreneurship/

entrepreneurship.htm (last modified Apr. 28, 2016). In 2015, that number rose to 3 million. *Id.*

Startups play a critical role in U.S. employment. The birth of new firms "contribute[s] substantially to both gross and net job creation." John Haltiwanger et al., *Who Creates Jobs? Small Versus Large Versus Young*, 95 Rev. Econ. & Stat. 347, 347-48 (2013). Likewise, sluggish growth for startups is linked with sluggish growth for the U.S. economy. *See, e.g.*, Steve Matthews, *American Economy Hamstrung by Vanishing Startups, Innovation*, Bloomberg (June 1, 2016, 4:00 AM), https://www.bloomberg.com/news/articles/2016-06-01/record-low-for-u-s-startups-helps-spawn-productivity-slump; Jeffrey Sparshott, *Sputtering Startups Weigh on U.S. Economic Growth*, Wall Street J., http://www.wsj.com/articles/sputtering-startups-weigh-on-u-s-economic-growth-1477235874 (last updated Oct. 23, 2016, 11:20 AM).

B. The Consequences of PAE Litigation Are Particularly and Unduly Taxing for Small Businesses.

Small businesses and startups must often make extremely efficient use of their limited funds to keep their enterprises running or to successfully innovate until they bring their products or services to market. This increased pressure to be efficient makes small businesses and startups a prime target for litigious plaintiffs hoping for easy settlements. Furthermore, employee time lost to litigation disproportionately harms startups and small firms, whose operations can literally be stalled as a result of nuisance suits. Knowing that such harm can be irreparable to small and emerging businesses, PAEs are incentivized to target them relentlessly.

i. PAEs Disproportionately Target Small Businesses in the Hopes of an Easy Settlement.

Enabled by the Federal Circuit's extremely broad venue rule, PAEs selectively target small businesses and startups. Across PAE suits from 2005 to 2012, for example, at least 55% of unique defendants had revenues of $10 million or less per year. Colleen Chien, *Startups and Patent Trolls*, 17 Stan. Tech. L. Rev. 461, 464 (2014). In suits brought by operating companies, on the other hand, only 16% of unique defendants fell into that category. *Id.*

This is hardly surprising, given that the PAE business model thrives on the same opportunism that leads them to forum shop, target defendants who are tied up with simultaneous but unrelated suits, sue firms that have recently experienced an influx of cash, and engage in a variety of other calculated behaviors. *See* Lauren Cohen et al., *Patent Trolls: Evidence from Targeted Firms* 27-28 (Nat'l Bureau of Econ. Research, Working Paper No. 20322, 2016), http://www.utdallas.edu/~ugg041000/patentlitigation.pdf.

This also explains why PAEs tend to bring suits close to the dates of startups' initial public offerings; they take advantage of the fact that their targets are usually most vulnerable when they "have insufficient time, funds, and human capital to spend on a thoughtful examination of the claims." Robin Feldman & Evan Frondorf, *Patent Demands and Initial Public Offerings*, 19 Stan. Tech. L. Rev. 52, 88 (2015). A survey of 50 companies that issued IPOs from 2007 to 2012 showed that half received patent demands within a year following the IPO. *Id.* at 54-

55. Moreover, half (and two-thirds of surveyed information technology companies) reported spending over $250,000 to defend against these claims. *Id.*

ii. Small Businesses and Startups Have Neither Sufficient Time nor Sufficient Resources to Fight PAE Suits.

Because the PAE business model makes strategic sense and works effectively, it is all the more dangerous to small business, startups, and entrepreneurs. On average, defending a PAE suit in court costs $857,000, or 24% of a business's annual revenue, on average. Chien, *Startups*, *supra*, at 473 tbl.1. Settlements average $340,000, or 13% of revenue. *Id.* Even fighting out-of-court costs $168,000, or 5% of revenue. *Id.* As mentioned earlier, PAE suits with less than $1 million at stake can cost $500,000 to defend. Law Practice Mgmt. Comm., *supra*, at 38.

Direct, out-of-pocket costs are not the only harms that are suffered by small businesses, entrepreneurs, and startups who are hit with patent infringement suits. Forty percent of low-revenue or low-resource enterprises undergo significant operational impacts upon receiving demand letters from PAEs. *See* Chien, *Startups*, *supra*, at 465. These impacts include "delayed hiring or achievement of another milestone, change in the product, a pivot in business strategy, a shut-down of the business line or the entire business, and/or lost valuation." *Id.* Startups are especially vulnerable to demand letters because "no one wants to invest in a company where founder time and investor money is going to be bled to patent trolls." *Id.* at 474 (internal quotation marks omitted). Indeed, while larger firms have the infrastructure,

funds, personnel, resources, and time to fight PAE suits properly in court, smaller firms do not.

C. The Costs of Patent Litigation to Startups and Small Businesses Generally, and Particularly the Cost of PAE Litigation, Do Serious Harm to the American Economy.

Harm to startups causes harm to the economy overall. This occurs in at least three observable ways.

First, costs imposed by frivolous patent suits, both in litigation and in settlement, divert resources that could otherwise be used for research and development. As the FTC stated in a recent report, such costs "can divert technical talent and other corporate resources away from developing new products and engaging in research and development, a result that is socially wasteful and inconsistent with the fundamental goal of the patent system." Federal Trade Commission (FTC), *Patent Assertion Entity Activity* 25 (Oct. 2016), https://www.ftc.gov/system/files/documents/reports/patent-assertion-entity-activity-ftc-study/p131203_patent_assertion_entity_activity_an_ftc_study_0.pdf.

Even if it is difficult to tell exactly what innovations would have resulted from research and development funding that is diverted toward costly litigation, small losses add up over time, and the American economy is deprived of innovative technologies and services that it might otherwise have benefited from. And in any case, it is undeniable that research and development has more societal and economic utility than frivolous litigation.

Second, frivolous PAE litigation is negatively correlated with venture capital (VC) investment. *See* Stephen Kiebzak, Greg Rafert, & Catherine E. Tucker, *The Effect of Patent Litigation and Patent Assertion Entities on Entrepreneurial Activity*, 45 Res. Pol'y 218, 230 (2016). "VC investment in new innovations and startups over the past five years would likely have been $109 million higher than it would have been but-for excess patent litigation." *Id.* at 229. Moreover, VC investment generally "would have likely been $21.772 billion higher over the course of five years but-for litigation brought by frequent litigators." *Id.*

In a survey of venture capitalists by the National Venture Capital Association, 100% of respondents indicated that "if a company had an existing demand against it, they might refrain from investing." Robin Feldman, *Patent Demands & Startup Companies: The View from the Venture Capital Community*, 16 Yale J.L. & Tech. 236, 258 (2014). Roughly half indicated that an existing demand would be a major deterrent on its face. *Id.* at 243.

Third and finally, the worst result of such costs is job loss. In response to a survey of venture capitalists and firms that accepted venture capital funding, one company stated that it "spent millions of dollars defending against a lawsuit from 'patent trolls,' and [that] the company went under due to lack of funding." *Id.* at 272. Likewise, the small startup Ditto was forced to lay off four of its fifteen employee workforce after losing $3 to $4 million of its valuation after being forced to defend itself in litigation for nearly a year; the case was later dismissed. *See* Joe Mullin, *New Study Suggests Patent Trolls Really Are*

Killing Startups, Ars Technica, (June 11, 2014, 5:55 PM), https://arstechnica.com/tech-policy/2014/06/new-study-suggests-patent-trolls-really-are-killing-startups/.

Thus, the harm caused by PAE litigation goes beyond simply the cost of litigation; it undermines the whole economy, hitting it at some of its most vulnerable and vital points—small businesses and startups.

CONCLUSION

As the foregoing data and descriptions make clear, meritless patent litigation against startups saps resources from companies that would otherwise be innovating and creating jobs. Needlessly forcing defendants to endure the unfair, added expenses of patent lawsuits in faraway and often unfavorable forums increases the likelihood that innovation will be hampered, jobs will be lost, new products and services will not be developed or adopted, and the economy as a whole will suffer. This Court should reverse the Federal Circuit's unreasonable interpretation of the patent venue statute, restore the proper operation of § 1400(b), and thereby ensure that innovators and entrepreneurs are no longer subject to these unintended and unnecessary burdens.

Respectfully submitted,

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Petitioner,

v.

KRAFT FOODS GROUP BRANDS LLC,

Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF FOR *AMICI CURIAE* ERICSSON INC., ALLERGAN, INC., AND TRAXXAS L.P. IN SUPPORT OF RESPONDENT

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Ericsson Inc. is wholly-owned by Ericsson Holding II Inc., which in turn is wholly-owned by Telefonaktiebolaget LM Ericsson. Telefonaktiebolaget LM Ericsson is publicly held and trades in the United States through American Depository Receipts under the name LM Ericsson Telephone Company.

Allergan, Inc. is a wholly-owned subsidiary of Allergan plc. Allergan plc is a publicly-owned company traded on the New York Stock Exchange under the ticker symbol "AGN."

Traxxas L.P. is a Texas limited partnership. No parent or publicly held corporation owns 10% or more of Traxxas L.P.'s stock.

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INTEREST OF *AMICI CURIAE*

Ericsson Inc. ("Ericsson") is a leading supplier of wireless network equipment, a leading developer of wireless technologies, and both a licensor and licensee of patents in the telecommunications industry. [1] With more than 100,000 employees globally, Ericsson is a pioneer of the modern cellular network. Over 1,000 networks in more than 180 countries use Ericsson equipment, and a significant portion of the world's mobile traffic passes through these networks. Ericsson currently devotes more than 20,000 employees and roughly five billion dollars a year, almost 15% of its net sales, to research and development—and Ericsson's innovations have produced over 37,000 issued patents worldwide. Ericsson employs more than 10,000 people in offices across the United States and supplies network equipment and/or services to every major U.S. telecommunications operator. Ericsson's North American headquarters are in Plano, Texas.

Allergan, Inc. ("Allergan") is a leading, global pharmaceutical company focused on developing, manufacturing, and commercializing pharmaceuticals, devices, and biologic products for

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[1] In accordance with Supreme Court Rule 37.6, *amici curiae* affirm that this brief was not authored, in whole or in part, by counsel to a party, and that no monetary contribution to the preparation or submission of this brief was made by any person or entity other than *amici curiae* and its counsel. The parties have consented to the filing of this brief, either by express written consent or by filing a letter documenting consent with the Court.

patients in the United States and around the world. Allergan markets a portfolio of leading brands and best-in-class products for the central nervous system, eye care, medical aesthetics, dermatology, gastroenterology, women's health, urology, and anti-infective therapeutic categories. With more than 16,000 employees, Allergan is creating one of the broadest pharmaceutical development pipelines in the industry. Allergan has offices and facilities in various cities around Texas.

Traxxas, L.P. ("Traxxas") designs, engineers and sells radio controlled vehicles and is headquartered in McKinney, Texas. Traxxas has been engineering and building the world's fastest and most innovative radio-controlled performance machines since 1986, and is the number-one selling name in ready-to-run nitro and electric radio controlled vehicles.

As both licensors and licensees of numerous patents, *amici curiae* have an interest in federal courts' predictable and consistent application of the venue statutes to patent infringement lawsuits which, for nearly three decades, have defined a corporation's "residency" by reference to 28 U.S.C. § 1391(c).

SUMMARY OF THE ARGUMENT

This case presents the simple question of whose law controls: Congress's definition of "reside" "for all venue purposes," which is contained in the current version of 28 U.S.C. § 1391(c); or the common-law definition applied in *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222 (1957), in which this Court interpreted a now-superseded version of the general venue statute. That venue statute has been amended

twice since *Fourco*, most recently in 2011. *Amici curiae* urge this Court to apply the plain language of Congress's amended statute, and to eschew Petitioner's invitation to legislate from the bench under the guise of statutory ambiguity. Because no such ambiguity exists, Petitioner's sought-after remedy—drastically narrowing possible venue for patent cases—lies with Congress alone.

Amici will not belabor Respondent's able analysis of the statutory text. Rather, *amici* submit this brief principally to respond to Petitioner's complaints that forum-shopping, "patent trolls," and alleged "abuses" of patent litigation—including a concentration of patent cases in the Eastern District of Texas, among other districts—justifies revamping the venue rules that have applied to patent cases since the 1988 amendments to § 1391(c) and *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990), *cert. denied*, 499 U.S. 922 (1991). Petitioner's effort to convert the instant appeal into a referendum on case management practices in the Eastern District of Texas is misplaced.

Even if this Court were the proper forum for airing Petitioner's policy arguments—which it is not—public data belies Petitioner's claim that the Eastern District of Texas is disproportionately out-of-sync with the rest of the federal bench when it comes to patent cases. The Eastern District of Texas has one of the heaviest patent dockets in the nation, which stands to reason as its judges are highly experienced in patent law and have a deserved reputation for resolving disputes expeditiously. Importantly, that court's litigation statistics—including plaintiff win rates, patent invalidation

rates, damages awards, and transfer orders, among others—are in line with national averages, as well as those from other patent-heavy districts such as the District of Delaware, the Central District of California, and the Northern District of California. There is no measurable basis to conclude that the Eastern District of Texas is less favorable to defendants. Nor are there empirical grounds for shrinking that court's patent docket by applying a 125-year-old common law understanding of residency in lieu of § 1391(c)'s express definition.

Moreover, narrowing the definition of "resides" for purposes of venue in patent cases would not address the perceived over-burdening of certain patent dockets. As § 1400(b) contains no definition of "resides," Petitioner's position would resurrect common law to equate residence with the state of incorporation. If the Court were to adopt this judicial gloss on venue, a significant proportion of patent litigation would simply shift to Delaware, a popular locus of incorporation.

As "the purpose of statutorily specified venue . . . is to protect . . . against the risk that a plaintiff will select an unfair or inconvenient place of trial," funneling patent cases to the defendant's state of incorporation—regardless of where it actually does business—makes little pragmatic sense. *Leroy v. Great W. United Corp.*, 443 U.S. 173, 183-84 (1979). This Court should respect the legislature's prerogative to fashion venue for federal courts, and apply the plain language of § 1391(c) in this case.

ARGUMENT

I. Petitioner's Attacks On The Eastern District Of Texas Are A Red Herring.

Petitioner and its supporting *amici curiae* take pains to paint the Eastern District of Texas as a menacing influence on patent litigation that justifies venue reform by this Court. As explained below, however, such arguments are belied by public data regarding case management in the Eastern District of Texas.

A. There Are Many Legitimate Reasons Why Patent Holders Choose A Particular Forum, Including The Eastern District Of Texas.

As a threshold matter, the assumption that the concentration of patent cases in a subset of district courts is indicative of a problem needing to be solved overlooks the many legitimate reasons why patent holders choose one forum over another. During oral arguments in the Federal Circuit in *TC Heartland*, Judge Kimberly A. Moore noted that there are significant benefits to having patent cases concentrated in a few jurisdictions. Patent cases are complex, and the courts that hear most of them—including the Eastern District of Texas—have become particularly skilled at patent law.[2]

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[2] Recording of 2016-0105 Oral Argument, at 23:20-25:50, available at, http://www.cafc.uscourts.gov/oral-argument-recordings/search/audio.html.

Local Rules. Indeed, as a result of its patent-heavy docket, the Eastern District of Texas has formulated local patent and discovery rules that foster the timely and efficient adjudication of patent suits, and prevent litigants from unduly delaying final judgment. The court requires early disclosure of infringement theories, invalidity theories, and claim constructions,[3] for example, and in many cases judges in the Eastern District of Texas rule on preliminary claim constructions immediately prior to *Markman* hearings.

Resolution Speed. Overall, pre-trial proceedings for patent cases in the Eastern District of Texas are shorter than in other federal district courts. Civil docket delay has long been considered "a serious problem" in the federal courts, giving rise to so-called "rocket dockets" such as the Eastern District of Virginia, which "set[] early, firm trial dates at the outset of proceedings, and generally allow[] modification of such dates only for good cause."[4] While carrying the highest weighted caseload per judgeship nationwide (1,200 cases),[5] the Eastern District is the only federal court in Texas with no judges listed on the lawyers' annual "Slowpoke

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[3] A claim construction hearing (also known as a "*Markman* hearing") is a pretrial hearing in a patent suit during which the judge examines evidence from all parties on the appropriate meanings of relevant key words used in a patent claim.

[4] Carrie E. Johnson, *Rocket Dockets: Reducing Delay in Federal Civil Litigation*, 85 CAL. L. REV. 225, 225 (1997).

[5] This figure represents all cases, not just patent cases.

Report" for cases lasting over three years or motions pending over six months.[6] This is so despite the fact that three out of its eight district court judgeships are vacant. Courts have recognized that such "efficient administration of the court system" serves the interests of justice.[7] Thus, in patent litigation, the relative absence of undue delay is a reasoned and legitimate basis for filing cases in the Eastern District of Texas.

Moreover, for each of the last five years, the average wait time leading up to a jury trial in the Eastern District of Texas (850 days) was shorter than in the Northern District of California (913 days), the District of Delaware (878 days), the Central District of California (910 days), and the national average (923 days).[8] The data is comparable for bench trials. Over the same period, the Eastern District of Texas's average wait time for a bench trial in patent cases

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[6] John Council, *The Slowpoke Report: Vacancies, Crushing Caseloads Take Toll on Texas Bench*, TEXAS LAWYER (Feb 1, 2017) http://www.texaslawyer.com/id=1202776937994/The-Slowpoke-Report-Vacancies-Crushing-Caseloads-Take-Toll-on-Texas-Bench.

[7] *See, e.g., Coffey v. Van Dorn Iron Works*, 796 F.2d 217, 220 (7th Cir. 1986) ("[T]he 'interest of justice' is a separate component of a § 1404(a) transfer analysis, and may be determinative in a particular case . . . Factors traditionally considered in an 'interest of justice' analysis relate to the efficient administration of the court system, such as likelihood of a speedy trial.") (internal citations and quotations omitted).

[8] Lex Machina, http://lexmachina.com. Patent cases were examined that terminated from February 8, 2012 to February 12, 2017 with "Jury Trial" tags.

(677 days) was faster than in the Northern District of California (917 days), the Central District of California (971 days), the District of Delaware (744 days), and the national average (796 days).[9] By contrast, both the Northern and Central Districts of California's time-to-trial averages for jury trials and bench trials were significantly longer than in other patent-heavy districts and as compared to the national average.

The length of actual trials in patent cases filed in the Eastern District of Texas is also shorter on average than in other patent-heavy districts. From January 1, 2000 until June 20, 2011, the average number of days for a jury trial in a patent case in the Eastern District of Texas (6.18 days) was half as long as the Northern District of California (12.67 days).[10] The Eastern District of Texas also handled jury trials more expeditiously than the District of Delaware (7.96 days), the Central District of California (8.24 days), and the national average for all federal district courts (8.6 days).[11] Likewise, the average number of days for a bench trial in a patent case in the Eastern District of Texas (3.6 days) was shorter than in the Northern District of California (5.5 days), the Central District of California (3.75 days), the District of

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[9] *Id.* Patent cases were examined that terminated from February 8, 2012 to February 12, 2017 with "Bench Trial" tags.

[10] Mark A. Lemley, Jamie Kendall & Clint Martin, *Rush to Judgment? Trial Length and Outcomes in Patent Cases,* 41 AIPLA Q.J. 169 (2013).

[11] *Id.*

Delaware (5.08 days), and in comparison to the national average (5.74 days).

Expertise. It is without question that the Eastern District of Texas's judges are experts in patent law. As regular attendees at patent law bar association meetings and conferences, judges in the Eastern District of Texas have a national reputation as experienced patent law jurists.

Given the heavy load of patent cases in the Eastern District of Texas, the district's courtroom staff is also highly skilled. The Eastern District of Texas hires independent technical advisors in patent cases to help with claim construction and other issues, such as summary judgment motions. It also employs technically trained law clerks and other courtroom staff with particular interest in patent litigation. Moreover, Federal Circuit Court judges regularly hear cases at the district court level (*e.g.*, Judges Bryson and Dyk). Reciprocally, judges in the Eastern District of Texas sit by designation on the Federal Circuit (*e.g.*, Judges Ward, Gilstrap, Davis, and Clark).

As a consequence of the Eastern District of Texas's particular expertise in patent law, the court was included in the "Patent Pilot Program" established under the Leahy–Smith America Invents Act of 2011 with the express goal of developing specialized expertise among the federal judiciary in patent law.[12] The Administrative Office of the U.S.

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[12] *See* Ron Vogel, *The Patent Pilot Program: Reassignment Rates and the Effect of Local Patent Rules*, available at

Courts selected only fourteen federal districts to participate in the Patent Pilot Program. The implication, therefore, that the Eastern District of Texas is unduly steeped in patent cases does not hold water. The intent behind the Patent Pilot Program was to enhance the patent expertise of judges participating in the program, including those in the Eastern District of Texas.

In sum, litigants file patent infringement suits in the Eastern District of Texas because its judges possess especially deep expertise adjudicating patent suits—not for nefarious reasons that undermine fairness and judicial even-handedness, as Petitioner and its supporting *amici* would suggest. Plaintiffs and defendants alike can expect efficient case management procedures and consistent substantive rulings from judges presiding over patent cases in the Eastern District of Texas.

B. Data Shows That The Eastern District Of Texas Is On Par With National Averages Regarding Key Litigation Statistics.

Although irrelevant to the question of statutory interpretation presented here, the policy arguments presented by Petitioner and its supporting *amici curiae* boil down to an assumption that the Eastern District of Texas is "better for patent plaintiffs and

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http://www.fr.com/files/Uploads/Documents/Vogel.NYIPLABulletin.Pilot-Patent-Program-Reassignment-Rates-and-Effects-of-Local-Rules.OctNov2013.pdf.

worse for patent defendants."[13] In particular, they argue that patent plaintiffs seek out the Eastern District of Texas because "local rules and procedural orders tilt in their favor."[14] Compared to other patent-heavy districts and federal district courts in general, however, the Eastern District of Texas is on par regarding numerous litigation metrics, including plaintiff win rates, patent invalidation rates, damages awards, dispositive motions, affirmance rates, settlement, stays, and transfers.

Plaintiff Win Rates. The Eastern District of Texas has consistently had nearly identical patent plaintiff win rate percentages as the national average. Over the last five years (42%), three years (44%), and one year (47%), the Eastern District of Texas was within a maximum of five percentage point of the national average for each time period (42%, 41%, and 42%, respectively).[15] By comparison, the Northern District of California had lower plaintiff win rates during each respective time period (25%, 24%, and 28%).[16] This data helps explain why large

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[13] Petitioner's Brief at 16; *see also* Brief for Texas *et al.* as *Amicus Curiae* Supporting Petitioners ("Texas's *Amicus Curiae* Brief") at 9-13.

[14] Texas's *Amicus Curiae* Brief at 9.

[15] Lex Machina, http://lexmachina.com. Analyzing claimant win rates for cases that were terminated between February 8, 2012 and February 8, 2017. The patent plaintiff win rate percentages exclude likely settlements, default judgments, uncontested dismissals, consolidation, severance, transfers, and stays.

[16] *Id.*

technology companies, many of which are based in the Northern District of California, urge this Court to confine venue in patent cases to a defendant's home district (where it has committed acts of infringement and has a regular an established place of business under § 1400(b)) or to the place of incorporation under *Fourco*. There is no evidence that the statistical differences between the Eastern District of Texas and the Northern District of California reflect unfairness in either forum, although it does explain the self-interests at play here.

As for a patent plaintiff's chance of winning a jury trial in particular, the data again lines up as between the Eastern District of Texas and other patent-heavy districts. For the last five years, the Eastern District of Texas's jury trial win rate for patent plaintiffs (65%) was approximately the same as the national average (64%), the District of Delaware (65%), the Northern District of California (63%).[17]

Patent Invalidation Rates. In defending a patent infringement case, "an accused infringer 'may prevail . . . by successfully attacking the validity of the patent.'" *Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 1920, 1928 (2015) (quoting *Deposit Guar. Nat. Bank v. Roper*, 445 U.S. 326, 334 (1980)). As for the defense of invalidity, the burden "rest[s] on the

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[17] *Id.* Patent plaintiff jury win rates were calculated by reviewing win percentages for cases with "jury trial" tags, excluding likely settlements, default judgments, procedural uncontested dismissals, consolidation, severance, transfers, and stays.

party asserting such invalidity" by "clear and convincing evidence." *Microsoft Corp. v. i4i Ltd. P'ship*, 564 U.S. 91, 95 (2011). Despite Petitioner's suggestion that the Eastern District of Texas favors plaintiffs, litigants in both the Eastern District of Texas and the District of Delaware can expect defense victories via patent invalidation at approximately the same rate as the national average, taking into account all forms of judgment through the completion of trial. By contrast, plaintiffs litigating in the Northern District of California had their patents invalidated at nearly twice the rate as the national average.

More specifically, while the Eastern District of Texas invalidated nearly one-sixth (17.43%) of all patents over the last five years, which is within one percentage point of the invalidation rate nationally (17.52%), and within 1.5 percentage points of the Central District of California (17.97%), the Northern District of California invalidated nearly one-third of all patents (30.1%).[18] Because the rate of patent invalidation in the Eastern District of Texas is on par with the national average as well as that of the Central District of California, there is no empirical basis to argue that the invalidation rate in the Eastern District of Texas is unfairly low.

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[18] Lex Machina, http://lexmachina.com. Invalidity rulings were analyzed by comparing invalidity rulings to total case determinations between February 8, 2012 and February 8, 2017, excluding likely settlements, default judgments, uncontested dismissals, consolidation, severence, transfers, stay and multidistrict ligitation.

Damages Awards. Petitioner's supporting *amici curiae* further argue that patent holders file suit in the Eastern District of Texas for the "distinct possibility of massive damages."[19] Yet over the last five years, the Eastern District of Texas had a median patent damage award ($7,160,886) that was less than those of both the Northern District of California ($8,854,470) and the District of Delaware ($13,270,000).[20] The data on damages awards thus shows that it is statistically more advantageous for patent holders to file suit in the District of Delaware than in the Eastern District of Texas.

Dispositive Motions. Petitioner's supporting *amici curiae* also suggest that dismissal and/or summary judgment in favor of patent defendants is not adequately available in the Eastern District of Texas. Over the past five years, the Eastern District of Texas has granted motions to dismiss in patent cases at a rate of 32% percent, and motions for summary judgment at a rate of 21%, whereas the national averages for granting motions to dismiss and motions for summary judgment in patent cases were 45% and 34%, respectively.[21]

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[19] *See, e.g.*, Texas's *Amicus Curiae* Brief at 12.

[20] Lex Machina, http://lexmachina.com. Cases were examined from February 8, 2012 to February 8, 2017. The median was used instead of the mean in calculating the damage award statistics to minimize the effect of outlier judgments.

[21] *Id.* Lex Machina motions metric report was used to analyze claimant win rates for summary judgment and motions to dismiss (contested) for patent cases that were terminated between February 8, 2012 and February 8, 2017.

While it is clear that the Eastern District of Texas grants dispositive motions in patent cases, the comparative statistics—standing alone—are not a fair indictment of the judges in the Eastern District of Texas. To be sure, "summary judgment avoids the time and expense of trial, [and thus] appeals to commentators who prize efficiency."[22] But as noted above, judges in the Eastern District of Texas are notoriously efficient and timely in their management of an especially heavy patent-related docket. The fact that some patent defendants grouse about how readily judges in the Eastern District of Texas grant dispositive motions is of little consequence here.[23]

Affirmance Rates. Notably, the Eastern District of Texas's decisions in patent cases are affirmed at the same rate as the other patent-heavy districts.[24] This holds true regardless of whether a jury or judge decided the case. For cases decided by jury verdict, the Federal Circuit affirms, at least in part, nearly the same percentage of cases from the

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[22] John Bronsteen, *Against Summary Judgment*, 75 GEO. WASH. L. REV. 522, 524 (2007).

[23] *Amicus curiae* Texas erroneously argues that letter briefs are required to be filed before summary judgment motions in the Eastern District of Texas. *See* Texas's *Amicus Curiae* Brief at 10. Judges in the Eastern District of Texas do not uniformly require the filing of letter briefs prior to a full motion for summary judgment. Judge Gilstrap ceased the practice in July 2016. In any event, litigants may benefit from letter briefs, as they winnow down the issues for summary judgment, enabling more focused briefing by the parties.

[24] All appeals from federal district court patent cases are heard by the Federal Circuit.

Eastern District of Texas (84%) as from the Northern District of California (80%) and the District of Delaware (86.1%). [25] When reviewing bench determinations (*e.g.*, bench trials, motions to dismiss, summary judgment motions, *etc.*), the Federal Circuit also affirms, at least in part, approximately the same percentage of decisions from the Eastern District of Texas (82.1%) as from the Northern District of California (89.2%) and the District of Delaware (87.3%).[26]

Settlement. Petitioner's supporting *amici curiae* further contend that the relatively lower rates of dismissal and summary judgment in the Eastern District of Texas result in so-called "patent trolls" filing "nuisance lawsuits" there on the assumption that the threat of trial will force defendants to settle rather than incur steep legal defense costs.[27] But the data does not bear this out. For the last five years, the percentage of patent cases that resulted in settlement in the Eastern District of Texas (86%) was only marginally higher than that of the District of

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[25] *See* LegalMetrics, Nation Patent Litigation Report (April 2015) (reporting affirmance rates from January 1991 through April 2015). The Central District of California had a much lower affirmance rate (63.15%).

[26] *Id.* Again, the Central District of California was affirmed less often (67%) than the other patent litigation heavy districts.

[27] *See, e.g.*, Texas's *Amicus Curiae* Brief at 12-14.

Delaware (79%), as well as the national average (77%).[28]

In any event, Petitioner's attack on the settlement differential in the Eastern District of Texas is at odds with the policy objectives animating federal procedure. Specifically, the purpose of pre-trial offers of judgment under Fed. R. Civ. P. 68 is "to encourage the settlement of litigation." *Delta Air Lines, Inc. v. August*, 450 U.S. 346, 352 (1981). The Eastern District of Texas's settlement rate is thus consistent with the spirit of Rule 68, which "provides an additional inducement to settle in those cases in which . . . the amount of recovery is uncertain." *Id.*

Stays. The Eastern District of Texas also regularly stays patent lawsuits in three circumstances: (i) an *inter partes* review ("IPR");[29] (ii) reexamination proceedings by the U.S. Patent and Trademark Office ("USPTO");[30] and/or (iii) the

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[28] Lex Machina, http://lexmachina.com. Data collected from "case outcomes" classified as "likely settlements."

[29] An IPR is a proceeding conducted by the Patent Trial and Appeal Board to review the patentability of one or more claims in a patent. Patent defendants often commence IPR proceedings after a patent suit is filed in order to challenge the patentability of the patent-in-suit.

[30] A reexamination proceeding is a process whereby a patent is reexamined by a patent examiner to verify that the subject matter it claims is patentable. A request for reexamination can be filed by anyone at any time during the period of enforceability of the patent, including by a patent defendant after the commencement of a patent suit.

resolution of litigation that was first filed in another venue.

Contrary to the claims of *amici curiae* American Bankers Association, *et al.*,[31] courts in the Eastern District of Texas "have been nearly uniform in granting motions to stay" following the initiation of an IPR. *Cellular Comms. Equip. v. Samsung Elecs. Co.*, No. 6:14-cv-759, Dkt. 154 at *5 (E.D. Tex. Dec. 16, 2015) (Mitchell, J.).[32] From January 1, 2015 through February 12, 2017, for example, the Eastern District of Texas granted 46 stays pending both pre- and post-institution IPRs, amounting to a grant rate of 63%.[33] By comparison, during this same time period the District of Delaware granted stay requests 60% of the time.[34]

The Eastern District of Texas also routinely grants stays pending reexamination proceedings by the USPTO. Motions for such stays filed between January 1, 2015 and February 12, 2017 were granted

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[31] Brief for American Bankers' Association, *et al.* as *Amici Curiae* Supporting Petitioners, at 9-10.

[32] *See also*, *NFC Tech. LLC v. HTC Am., Inc.*, No. 2:13-CV-1058-WCB, 2015 U.S. Dist. LEXIS 29573, at *17–18 (E.D. Tex. Mar. 11, 2015) (Bryson, J.) (recounting "Congress's desire to enhance the role of the PTO and limit the burden of litigation on courts and parties" through the less burdensome IPR process).

[33] Docket Navigator, https://www.docketnavigator.com/browse/results/34db2b6f-ef9c-04ba-a8c0-6812fd09b33b (last visited Feb 14, 2017) (running search for "Document Type: Motion to Stay Pending *Inter Partes* Review").

[34] *Id.*

50% of the time.[35] During this same time period, the District of Delaware granted stay requests 53% of the time.[36] The Eastern District of Texas also granted 84.6% of motions to stay pending resolution of related cases from January 1, 2015 through February 12, 2017, while the District of Delaware granted 85.7% of requested stays.[37] The national average for all federal district courts during this time period was 82.8%.[38]

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[35] Docket Navigator, https://www.docketnavigator.com/browse/results/b95eaf45-7964-4e15-361d-0e9098563029 (last visited Feb 14, 2017) (running search for "Document Type: Motion to Stay Pending Reexamination"); *see Synqor, Inc. v. Vicor Corp.*, No. 2:14-cv-00287 (E.D. Tex. May 23, 2016); *ExitExchange Corp. v. FriendFinder Network, Inc.*, No. 2:13-cv-00396 (E.D. Tex. Jan. 14, 2015).

[36] Docket Navigator, https://www.docketnavigator.com/browse/results/b95eaf45-7964-4e15-361d-0e9098563029 (last visited Feb 14, 2017) (running search for "Document Type: Motion to Stay Pending Reexamination").

[37] From January 1, 2015 through February 12, 2017, a stay was granted by Eastern District of Texas 22 times. Docket Navigator, https://www.docketnavigator.com/browse/results/55cd3478-0361-5449-7dab-83f0c9c6aca1 (last visited Feb. 14, 2017) (running search for "Document Type: Stays Pending Resolution of Related Proceedings"); *see also Global Equity Mgmt. (SA) PTY Ltd. v. Ericsson Inc.*, No. 2:16-cv-00618 (E.D. Tex. Jan. 25, 2017) (Payne, J.) (holding that "Amazon's E.D. Va. DJ action shall proceed first, while the 21 GEMSA E.D.T.X. suits shall be stayed, pending resolution" of Amazon's Virginia suit).

[38] Docket Navigator, https://www.docketnavigator.com/browse/results/55cd3478-0361-5449-7dab-83f0c9c6aca1 (last visited Feb. 14, 2017) (running search for "Document Type: Stays Pending Resolution of Related Proceedings").

Transfers. Petitioner's supporting *amici curiae* also err in asserting that the Eastern District of Texas lags behind in granting transfer motions.[39] Federal courts across the country grant motions to transfer patent cases at approximately equivalent rates, with slightly higher percentages in patent-heavy districts. Over the last five years, for example, the Eastern District of Texas and the Northern District of California granted transfer motions at approximately identical rates (72% and 71%, respectively).[40] Additionally, the U.S. Court of Appeals for the Federal Circuit hears petitions for writ of mandamus filed by defendants whose transfer motions are denied.[41]

In short, as an empirical matter, Petitioner's critique of the Eastern District of Texas is misplaced. Nothing about that court is irregular or improper.

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[39] *See, e.g.,* Texas's *Amicus Curiae* Brief at 11-12.

[40] Lex Machina, http://lexmachina.com. LexMachina Motion Metrics Report was used to analyze all patent cases not classified as "likely settlement" that terminated between February 8, 2012 and February 8, 2017.

[41] *See, e.g., In re TS Tech U.S. Corp.*, 551 F.3d 1315, 1323 (Fed. Cir. 2008) (granting petition for writ of mandamus and transferring case to the United States District Court for the Southern District of Ohio); *In re Microsoft Corp.*, Misc. No. 944, 2010 U.S. App. LEXIS 23121, at *10 (Fed. Cir. 2010) (granting petition for writ of mandamus and transferring case to the United States District Court for the Western District of Washington).

II. Because § 1391(c) Is Clear, This Court Must Reject Petitioner's Invitation To Legislate Under The Guise Of Statutory Interpretation.

Petitioner and its supporting *amici curiae* nonetheless raise additional policy arguments in an attempt to convince the Court to override the plain language of § 1391(c). In particular, they argue that thirty years of precedent applying § 1391(c) to an ambiguous term in § 1400(b) should be abandoned because plaintiffs tend to forum shop if they have too many venue options. Such policy arguments are for the legislative branch, and have no bearing on the straightforward reading of the statutory language at issue in this case.

A. Obsolete Case Law Construing Old Statutes Cannot Justify A Judicial Override Of § 1391(c)'s Definition Of "Resides" "For All Venue Purposes."

A foundational principle of statutory interpretation is that "courts must presume that a legislature says in a statute what it means and means in a statute what it says there. When the words of a statute are unambiguous, then, this first canon is also the last: judicial inquiry is complete." *Conn. Nat'l Bank v. Germain*, 503 U.S. 249, 253-54 (1992) (internal citations and quotations omitted). Because the venue statutes at issue here are unambiguous, the Court's only role is to enforce the straightforward framework set up by Congress, not to engage in any policy "fix" advocated by Petitioner. *Malley v. Briggs*, 475 U.S. 335, 342 (1986) ("Our role is to interpret the intent of Congress [], not to make a

freewheeling policy choice."); *Finn v. Meighan*, 325 U.S. 300, 303 (1945) ("That being the policy adopted by Congress, our duty is to enforce it.").

The statutory scheme for venue in patent cases is surely familiar to this Court. Section 1400(b) specifies that "[a]ny civil action for patent infringement may be brought in the judicial district where the defendant *resides*," but it does not define that term. (Emphasis added). Congress revised and recodified both § 1400(b) and § 1391(c) in 1948. *Fourco Glass Co.*, 353 U.S. at 223. The version of § 1391(c) that governed in *Fourco* was titled "Venue generally" and it applied "for venue purposes." As a result, the *Fourco* Court held that § 1391(c) did not supplement § 1400(b), and that for purposes of applying § 1400(b), courts should equate "resident" with "inhabitant," which—under *Shaw v. Quincy Mining Co.*, 145 U.S. 444, 450 (1892)—"mean[t] the state of incorporation only." *Fourco Glass Co.*, 353 U.S. at 226.

In 1988, Congress changed this formula by amending § 1391(c) to define a defendant corporation's "residency" as "any judicial district in which such defendant *is subject to the court's personal jurisdiction*." (Emphasis added). It also explicitly made this definition apply *"[f]or purposes of venue under this chapter,"*[42] i.e., Chapter 87, which contains § 1400. (Emphasis added). Thus, consistent with its constitutional prerogative, Congress in 1988

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[42] 28 U.S.C. § 1391(c) (emphasis added). The original text, the post-1988, and the post-2011 versions of this section, as well as § 1400 and the accompanying Chapter 87 table of contents, are included in Appendix A to this brief.

rendered *Fourco* obsolete and replaced *Shaw*'s default definition of corporate residency in patent suits with § 1391(c)'s personal jurisdiction standard. Two years later, in *VE Holding*, the Federal Circuit concluded that § 1391(c)'s definition of "resides" applied to § 1400(b). *VE Holding*, 917 F.2d at 1580.[43]

Just as *VE Holding* rebuffed efforts to superimpose *Fourco* on the 1988 amendments, this Court should reject Petitioner's plea to judicially refashion the 2011 amendments. Numerous bills have been proposed in Congress for limiting venue in patent actions, but none have become law.[44] As with the 1988 amendments, Congress was no doubt aware that it could have excepted patent cases from "all venue purposes" in 2011, but instead chose to leave in place the nearly thirty years of precedent applying § 1391(c) to determine corporate residence for

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[43] The *VE Holding* court rejected the argument that *Fourco* permanently delinked § 1400(b) from § 1391(c), explaining that "Section 1391(c) as it was in *Fourco* is no longer," and that "[w]e now have exact and classic language of incorporation: 'For purposes of venue under this chapter.'" 917 F.2d at 1579. "Congress could readily have added 'except for section 1400(b),' if that exception, which we can presume was well known to the Congress, was intended to be maintained." *Id.*

[44] *See generally* J. Jonas Anderson, *Patent Dialogue*, 92 N.C. L. REV. 1049, 1070-71 (May 2014) (noting that "[a]t various times, Congress proposed fundamental changes to . . . the patent venue statute," but they were not included in "the most comprehensive legislative reform of U.S. patent law in nearly sixty years," the Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (codified as amended at 35 U.S.C. §§ 102, 282 (2012))).

purposes of venue in patent cases.[45] This Court should accordingly conclude that "'all' means all" in § 1391(c), and affirm the decision below. *Cty. of Oakland v. Fed. Housing Fin. Agency*, 716 F.3d 935, 940 (6th Cir. 2013) (quotations omitted).

Petitioner's proposed judicial override of Congress would only cause mischief requiring further judicial intervention. For example, ignoring § 1391(c) with respect to § 1400(b) would make venue over foreign defendants undefined (and perhaps impossible) by reading out the specification of residency with respect to foreign defendants in § 1391(c)(3). Moreover, a question would arise as to whether § 1391(c) should also be ignored in determining venue in copyright cases under § 1400(a), which states that venue for actions "relating to copyrights . . . may be instituted in the district in which the defendant or his agent resides or may be found." These example problems show that the thorough statutory framework put in place by Congress, including by way of the 1988 and 2011 amendments, cannot and should not be disrupted by courts, as urged by Petitioner.

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[45] Contrary to Petitioner's argument, the phrase "[e]xcept as otherwise provided by law," added to § 1391(a) by the 2011 amendments, does not support resurrecting *Fourco*. Simply put, *Fourco* was not the law in 2011. Rather, in 1988, Congress had already abrogated *Fourco* by specifying that § 1391(c)'s definition of corporate "residency" applied "for purposes of venue under this chapter," which expressly included § 1400. This was the law just prior to the 2011 amendments, not *Fourco* from 1957 interpreting different statutory language.

B. Petitioner's Forum Shopping Arguments Are Irrelevant To The Task Before The Court.

Petitioner nevertheless urges the Court to rewrite longstanding venue rules in patent cases in order to alter litigation practices like forum shopping. This argument is inapposite. In numerous areas of federal practice, including patent law and bankruptcy law, scholars and legislatures have grappled with the perceived evils of forum shopping for years.[46] And although forum shopping is an appropriate consideration for courts applying the *Erie* doctrine in the event of a conflict between state and federal law, "we deal here with a congressional statute apportioning the business of the federal courts." *Van Dusen v. Barrack*, 376 U.S. 612, 637 (1964) (superseded by statute on other grounds). There is no judicial leeway to rewrite the law in an effort to apportion court business differently. "The short of the matter is that a Federal Rule governing procedure is valid whether or not it alters the outcome of the case in a way that induces forum shopping." *Shady Grove Orthopedic Assocs., P.A. v. Allstate Ins Co.*, 559 U.S. 393, 416 (2010). Forum shopping arguments are thus irrelevant to the question whether "all" means "all" in

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[46] *See, e.g.*, Kimberly A. Moore, *Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation*, 74 N.C. L. REV. 889 (2001); Lynn M. LoPucki & William C. Whitford, *Venue Choice and Forum Shopping in the Bankruptcy Reorganization of Large, Publicly Held Companies*, 1991 WIS. L. REV. 11 (1991).

§ 1391(c). "To hold otherwise would be to 'disembowel either the Constitution's grant of power over federal procedure or Congress's exercise of it.'" *Shady Grove*, 559 U.S. at 416 (quoting *Hanna v. Plumber*, 380 U.S. 460, 472-73 (1965)).

Moreover, a reversion to *Fourco*'s common law definition could create its own case management problems, along with numerous unforeseen consequences on U.S. corporations across the country. In December 2015, for example, Texas-based Ericsson filed suit against the California-based Apple, Inc. ("Apple") in the Eastern District of Texas, alleging that Apple's products infringed multiple Ericsson patents relating to wireless communication technology essential to Ericsson's business. [47] If Petitioner prevails, companies may no longer be able to seek redress for patent infringement in their home districts. Ericsson could be forced to file suits against Silicon Valley competitors in the Northern District of California or the District of Delaware. Not only would this revamping of venue law impose increased burdens on the patent-heavy dockets of those courts, it could sow doctrinal inconsistencies in the wake of three decades of personal jurisdiction-based venue in patent cases.[48] As such, it should be considered and addressed—if at all—by Congress, not the courts.

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[47] *Ericsson Inc. et al v. Apple Inc.*, No. 2-15-cv-00293 (E.D. Tex. Feb 26, 2015).

[48] *See also, e.g., 3M v. HM Elecs.*, No. 0:12-cv-00553 (D. Minn., Mar. 2, 2012) (a case where plaintiff 3M would have been forced to litigate in the Southern District of California instead of the District of Minnesota under Petitioner's proposed reading of

C. Petitioner's "Patent Troll" Rhetoric Is Extraneous And Should Be Ignored.

Petitioner's supportive *amici curiae* go on to claim that employing § 1391(c)'s definition of "resides" for all venue purposes, including in patent cases, contributes to the "patent troll" nuisance value problem.[49] In particular, they argue that defendants are more apt to settle meritless patent suits in the Eastern District of Texas because it is cheaper than going to trial there. Nuisance value lawsuits are hardly unique to the Eastern District of Texas, however.[50] The tactic of filing suit in the hopes of achieving a favorable damages award is available in any court in virtually any type of case. And as discussed above, the Eastern District of Texas has a settlement rate that is only marginally above the national average.

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§ 1400(b)); *Westech Aerosol Corp. v. Newstar Adhesives*, No. 3:17-cv-05082 (W.D. Wash. Feb. 2, 2017) (a case where plaintiff Westech Aerosol Corporation, which is incorporated and based in Washington, would have been forced to litigate in the District of Delaware instead of the Western District of Washington under Petitioner's proposed reading of § 1400(b)).

[49] Texas's *Amici Curiae* Brief at 13; Brief for American Bankers' *et al.* as *Amici Curiae* for Petitioner, at 16-17.

[50] The assumption that so-called "patent trolls" are bad for industry is not uniformly accepted. *See* Clifton B. Parker, *Patent Trolls Serve Valuable Role in Innovation, Stanford Expert Says*, STANFORD NEWS (Feb. 23, 2015), http://news.stanford.edu/2015/02/23/haber-patent-trolls-022315/ (last visited March 5, 2017).

Indeed, the data does not back up *amici*'s suggestion that the Eastern District of Texas is a renegade court run amok in patent cases. In 2016, 34% fewer patent cases were filed in the Eastern District of Texas than in 2015; and as of February 22, 2017, that annualized number had dropped 29% as compared to 2016, and 53% as compared to 2015.[51]

Regardless, Petitioner's supporting *amici curiae* have failed to explain how reducing the Eastern District of Texas's caseload will stop "patent trolls." To the contrary, a ruling in Petitioner's favor would only shift even more cases to other patent-heavy districts such as the District of Delaware, where 9.2% of all patent lawsuits were filed in 2016.[52] Applying a common law "place-of-incorporation" definition to § 1400(b) would do nothing to prevent "patent trolls" from filing nuisance value lawsuits in Delaware, where over a million companies—nearly half of all public corporations in the United States—are incorporated.[53]

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[51] *See* Lex Machina, http://lexmachina.com, examining cases filed from January 1, 2015 to Dec, 31, 2015; filed from January 1, 2016 to Dec 31, 2016; and filed from Jan. 1, 2017 to Feb. 22, 2016. Results were generated both nationally and for the Eastern District of Texas.

[52] *See* Kevin Benton, *New Patent Filings Down in 2016, Lowest Since 2011: Report*, Law360 (Oct. 11, 2016, 4:54 PM), https://www.law360.com/articles/850061/new-patent-filings-down-in-20).

[53] *See* Leslie Wayne, *How Delaware Thrives as a Corporate Tax Haven*, N.Y. TIMES (June 30, 2012), http://www.nytimes.com/2012/07/01/business/how-delaware-thrives-as-a-corporate-tax-haven.html.

Petitioner's policy arguments are uniformly misplaced, and afford no basis for departing in this case from Congress's express statutory specification that the definition of "reside" in 28 U.S.C. § 1391(c) controls "[f]or all venue purposes," including for patent suits under § 1400.

CONCLUSION

For the foregoing reasons, the Court should affirm the decision below.

Respectfully submitted,

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March 8, 2017

APPENDIX

UNITED STATES CODE

1952 Edition

Containing the General and Permanent Laws of the
United States, In Force on January 2, 1953

VOLUME THREE

Title 26 – Internal Revenue Code

To

Title 33 – Navigation and Navigable Waters

Chapter 87 – District Courts; Venue

Sec.

1391. Venue generally.
1392. Defendants or property in different districts in same State.
1393. Divisions; single defendant; defendants in different divisions.
1394. Banking association's action against Comptroller of Currency.
1395. Fine, penalty or forfeiture.
1396. Internal revenue taxes.
1397. Interpleader.
1398. Interstate Commerce Commission's orders.
1399. Partition action involving United States.
1400. Patents and copyrights.
1401. Stockholder's derivative action.
1402. United States as defendant.
1403. Eminent domain.
1404. Change of venue.
1405. Creation or alteration of district or division.
1406. Cure or waiver of defects.

§ 1391. Venue generally.

(a) A civil action wherein jurisdiction is founded only on diversity of citizenship may, except as otherwise provided by law, be brought only in the judicial district where all plaintiffs or all defendants reside.

(b) A civil action wherein jurisdiction is not founded solely on diversity of citizenship may be brought only in the judicial district where all defendants reside, except as otherwise provided by law.

(c) A corporation may be sued in any judicial district in which it is incorporated or licensed to do business or is doing business, and such judicial district shall be regarded as the residence of such corporation for venue purposes.

(d) An alien may be sued in any district.

(June 25, 1948, ch. 646, § 1, 62 Stat. 935.)

§ 1400. Patents and copyrights.

(a) Civil actions, suits, or proceedings arising under any Act of Congress relating to copyrights may be instituted in the district in which the defendant or his agent resides or may be found.

(b) Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.

(June 25, 1948, ch. 646, § 1, 62 Stat. 936.)

UNITED STATES CODE

1988 Edition

Containing the General and Permanent Laws of the
United States, In Force on January 3, 1989

VOLUME TWELVE

Title 27 – Intoxicating Liquors

To

Title 29 – Labor

Chapter 87 – District Courts; Venue

Sec.

1391. Venue generally.
1392. Defendants or property in different districts in same State.
[1393. Repealed.]
1394. Banking association's action against Comptroller of Currency.
1395. Fine, penalty or forfeiture.
1396. Internal revenue taxes.
1397. Interpleader.
1398. Interstate Commerce Commission's orders.
1399. Partition action involving United States.
1400. Patents and copyrights.
1401. Stockholder's derivative action.
1402. United States as defendant.
1403. Eminent domain.
1404. Change of venue.
1405. Creation or alteration of district or division.
1406. Cure or waiver of defects.
1407. Multidistrict litigation.
1408. Venue of cases under title 11.
1409. Venue of proceedings arising under title 11 or arising in or related to cases under title 11.
1410. Venue of cases ancillary to foreign proceedings.
1411. Jury trials.
1412. Change of venue.

§ 1391. Venue generally.

(a) A civil action wherein jurisdiction is founded only on diversity of citizenship may, except as otherwise provided by law, be brought only in the judicial district where all plaintiffs or all defendants reside, or in which the claim arose.

(b) A civil action wherein jurisdiction is not founded solely on diversity of citizenship may be brought only in the judicial district where all defendants reside, or in which the claim arose, except as otherwise provided by law.

(c) For purposes of venue under this chapter, a defendant that is a corporation shall be deemed to reside in any judicial district in which it is subject to personal jurisdiction at the time the action is commenced. In a State which has more than one judicial district and in which a defendant that is a corporation is subject to personal jurisdiction at the time an action is commenced, such corporation shall be deemed to reside in any district in that State within which its contacts would be sufficient to subject it to personal jurisdiction if that district were a separate State, and, if there is no such district, the corporation shall be deemed to reside in the district within which it has the most significant contacts.

(d) An alien may be sued in any district.

(e) A civil action in which a defendant is an officer or employee of the United States or any agency thereof acting in his official capacity or under color of legal authority, or an agency of the United States, or the United States, may, except as otherwise provided by law, be brought in any judicial

district in which (1) a defendant in the action resides, or (2) the cause of action arose, or (3) any real property involved in the action resides, or (4) the plaintiff resides if no real property is involved in the action. Additional persons may be joined as parties to any such action in accordance with the Federal Rules of Civil Procedure and with such other venue requirements as would be applicable if the United States or one of its officers, employees, or agencies were not a party. The summons and complaint in such an action shall be served as provided by the Federal Rules of Civil Procedure except that the delivery of the summons and complaint to the officer or agency as required by the rules may be made by certified mail beyond the territorial limits of the district in which the action is brought.

(f) A civil action against a foreign state as defined in section 1603(a) of this title may be brought—

(1) in any judicial district in which a substantial part of the events or omissions giving rise to the claim occurred, or a substantial part of property that is the subject of the action is situated;

(2) in any judicial district in which the vessel or cargo of a foreign state is situated, if the claim is asserted under section 1605(b) of this title;

(3) in any judicial district in which the agency or instrumentality is licensed to do business or is doing business, if the action is brought against an agency or instrumentality of a foreign state as defined in section 1603(b) of this title; or

(4) in the United States District Court for the District of Columbia if the action is brought against a foreign state or political subdivision thereof.

(June 25, 1948, ch. 646, § 1, 62 Stat. 935; Oct. 5, 1962, Pub. L. 87-748, § 2, 76 Stat. 744; Dec. 23, 1963, Pub. L. 88-234, 77 Stat. 473; Nov. 2, 1966, Pub. L. 89-714, §§ 1, 2, 80 Stat. 1111; Oct. 21, 1976, Pub. L. 94-574, § 3, 90 Stat. 2721; Oct. 21, 1976, Pub. L. 94-583, § 5, 90 Stat. 2897; Nov. 19, 1988, Pub. L. 100-702, title X, § 1013(a), 102 Stat. 4669.)

§ 1400. Patents and copyrights.

(a) Civil actions, suits, or proceedings arising under any Act of Congress relating to copyrights or exclusive rights in mask works may be instituted in the district in which the defendant or his agent resides or may be found.

(b) Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.

(June 25, 1948, ch. 646, § 1, 62 Stat. 936; Nov. 19, 1998, Pub. L. 100-702, title X, § 1020(a)(5), 102 Stat. 4671.)

UNITED STATES CODE

2012 Edition

Containing the General and Permanent Laws of the United States Enacted Through the 112th Congress

(ending January 2, 2013, the last law of which was signed on January 15, 2013)

VOLUME TWENTY-ONE

Title 27 – Intoxicating Liquors

To

Title 28 – Judiciary and Judicial Procedure

Chapter 87 – District Courts; Venue

Sec.
1390. Scope.
1391. Venue generally.
[1392, 1393. Repealed.]
1394. Banking association's action against Comptroller of Currency.
1395. Fine, penalty or forfeiture.
1396. Internal revenue taxes.
1397. Interpleader.
1398. Interstate Commerce Commission's orders.
1399. Partition action involving United States.
1400. Patents and copyrights, mask works, and designs.
1401. Stockholder's derivative action.
1402. United States as defendant.
1403. Eminent domain.
1404. Change of venue.
1405. Creation or alteration of district or division.
1406. Cure or waiver of defects.
1407. Multidistrict litigation.
1408. Venue of cases under title 11.
1409. Venue of proceedings arising under title 11 or arising in or related to cases under title 11.
1410. Venue of cases ancillary to foreign proceedings.
1411. Jury trials.
1412. Change of venue.
1413. Venue of cases under chapter 5 of title 3.

§ 1391. Venue generally.

(a) APPLICABILITY OF SECTION.—Except as otherwise provided by law—

(1) this section shall govern the venue of all civil actions brought in district courts of the United States; and

(2) the proper venue for a civil action shall be determined without regard to whether the action is local or transitory in nature.

(b) VENUE IN GENERAL.—A civil action may be brought in—

(1) a judicial district in which any defendant resides, if all defendants are residents of the State in which the district is located;

(2) a judicial district in which a substantial part of the events or omissions giving rise to the claim occurred, or a substantial part of property that is the subject of the action is situated; or

(3) if there is no district in which an action may otherwise be brought as provided in this section, any judicial district in which any defendant is subject to the court's personal jurisdiction with respect to such action.

(c) RESIDENCY.—For all venue purposes—

(1) a natural person, including an alien lawfully admitted for permanent residence in the United States, shall be deemed to reside in the judicial district in which that person is domiciled;

(2) an entity with the capacity to sue and be sued in its common name under applicable law,

whether or not incorporated, shall be deemed to reside, if a defendant, in any judicial district in which such defendant is subject to the court's personal jurisdiction with respect to the civil action in question and, if a plaintiff, only in the judicial district in which it maintains its principal place of business; and

(3) a defendant not resident in the United States may be sued in any judicial district, and the joinder of such a defendant shall be disregarded in determining where the action may be brought with respect to other defendants.

(d) RESIDENCY OF CORPORATIONS IN STATES WITH MULTIPLE DISTRICTS.—For purposes of venue under this chapter, in a State which has more than one judicial district and in which a defendant that is a corporation is subject to personal jurisdiction at the time an action is commenced, such corporation shall be deemed to reside in any district in the State within which its contacts would be sufficient to subject it to personal jurisdiction if that district were a separate State, and, if there is no such district, the corporation shall be deemed to reside in the district in which it has the most significant contacts.

(e) ACTIONS WHERE DEFENDANT IS OFFICER OR EMPLOYEE OF THE UNITED STATES.—

(1) IN GENERAL.—A civil action in which a defendant is an officer or employee of the United States or any agency thereof acting in his official capacity or under color of legal authority, or an agency of the United States, or the United States, may, except as otherwise provided by law, be brought

in any judicial district in which (A) a defendant in the action resides, (B) a substantial part of the events or omissions giving rise to the claim occurred, or a substantial part of property that is the subject of the action is situated, or (C) the plaintiff resides if no real property is involved in the action. Additional persons may be joined as parties to any such action in accordance with the Federal Rules of Civil Procedure and with such other venue requirements as would be applicable if the United States or one of its officers, employees, or agencies were not a party.

(2) SERVICE.—The summons and complaint in such an action shall be served as provided by the Federal Rules of Civil Procedure except that the delivery of the summons and complaint to the officer or agency as required by the rules may be made by certified mail beyond the territorial limits of the district in which the action is brought.

(f) CIVIL ACTIONS AGAINST A FOREIGN STATE.—A civil action against a foreign state as defined in section 1603(a) of this title may be brought—

(1) in any judicial district in which a substantial part of the events or omissions giving rise to the claim occurred, or a substantial part of property that is the subject of the action is situated;

(2) in any judicial district in which the vessel or cargo of a foreign state is situated, if the claim is asserted under section 1605(b) of this title;

(3) in any judicial district in which the agency or instrumentality is licensed to do business or is doing business, if the action is brought against an

agency or instrumentality of a foreign state as defined in section 1603(b) of this title; or

(4) in the United States District Court for the District of Columbia if the action is brought against a foreign state or political subdivision thereof.

(g) MULTIPARTY, MULTIFORM LITIGATION.—A civil action in which jurisdiction of the district court is based upon section 1369 of this title may be brought in any district in which any defendant resides or in which a substantial part of the accident giving rise to the action took place.

(June 25, 1948, ch. 646, 62 Stat. 935; Pub. L. 87–748, § 2, Oct. 5, 1962, 76 Stat. 744; Pub. L. 88–234, Dec. 23, 1963, 77 Stat. 473; Pub. L. 89–714, §§ 1, 2, Nov. 2, 1966, 80 Stat. 1111; Pub. L. 94–574, § 3, Oct. 21, 1976, 90 Stat. 2721; Pub. L. 94–583, § 5, Oct. 21, 1976, 90 Stat. 2897; Pub. L. 100–702, title X, § 1013(a), Nov. 19, 1988, 102 Stat. 4669; Pub. L. 101–650, title III, § 311, Dec. 1, 1990, 104 Stat. 5114; Pub. L. 102–198, § 3, Dec. 9, 1991, 105 Stat. 1623; Pub. L. 102–572, title V, § 504, Oct. 29, 1992, 106 Stat. 4513; Pub. L. 104–34, § 1, Oct. 3, 1995, 109 Stat. 293; Pub. L. 107–273, div. C, title I, § 11020(b)(2), Nov. 2, 2002, 116 Stat. 1827; Pub. L. 112–63, title II, § 202, Dec. 7, 2011, 125 Stat. 763.)

§ 1400. Patents and copyrights, mask works, and designs.

(a) Civil actions, suits, or proceedings arising under any Act of Congress relating to copyrights or exclusive rights in mask works or designs may be

instituted in the district in which the defendant or his agent resides or may be found.

(b) Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.

(June 25, 1948, ch. 646. 62 Stat. 936; Pub. L. 100-702, title X, § 1020(a)(5), Nov. 19, 1988, 102 Stat. 4671; Pub. L. 105-304, title V, §503(c)(1), (2), Oct. 28, 1998, 112 Stat. 2917; Pub. L. 106-44, §2(a), Aug. 5, 1999, 113 Stat. 223.)

RECORD AND BRIEFS

No. 16-341

In The
Supreme Court of the United States

TC HEARTLAND LLC,

Petitioner,

v.

KRAFT FOOD GROUP BRANDS LLC,

Respondent.

On Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

BRIEF OF *AMICI CURIAE* 48 INTERNET COMPANIES, RETAILERS, AND ASSOCIATIONS IN SUPPORT OF PETITIONER

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INTEREST OF *AMICI CURIAE**

Amici Curiae ("*Amici*") – 41 companies and 7 associations – submit this brief in support of Petitioner because they are all too familiar with the effects of forum shopping in patent cases, and thus support the revitalization of the specific patent venue statute, 28 U.S.C. § 1400(b).

Amici companies are: Acushnet Company; Adobe Systems Inc.; ASUS Computer International; Balsam Brands Inc.; Bass Pro Shops, LLC; Betterment Holdings, Inc.; Campmor, Inc.; Carbonite, Inc.; Christian Book Distributors, Inc.; Crutchfield Corporation; eBay Inc.; Etsy, Inc.; FedEx Corporation; HP Inc.; HTC America, Inc.; IAC/InterActiveCorp; Jockey International, Inc.; Kickstarter, Inc.; Lecorpio, LLC; L Brands, Inc.; L.L. Bean, Inc.; Macy's, Inc.; MediaFire, LLC; Minted, Inc.; NeuLion, Inc.; NetApp, Inc.; Newegg Inc.; Oracle Corporation; Overstock.com, Inc.; QVC, Inc.; Parke-Bell, Ltd.; Pegasystems Inc.; Red Hat, Inc.; Red Lion Hotels Corporation; SAS Institute Inc.; SAP America, Inc.; Symmetry LLC; VIZIO, Inc.; Walmart Stores, Inc.; Wayfair, Inc.; and Xilinx, Inc.

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* Pursuant to S. Ct. R. 37.6, counsel for *Amici* represent that they authored this brief in its entirety and that none of the parties or their counsel, nor any other person or entity other than *Amici* or their counsel, made a monetary contribution intended to fund the preparation or submission of this brief. Pursuant to S. Ct. R. 37.3(a), counsel for *Amici* represent that Petitioner filed a general consent to the filing of *amici curiae* briefs, that Respondent consented to the filing of this brief, and that a copy of Respondent's consent is being filed with this brief.

Amici associations are: Computer and Communications Industry Association (which represents a wide range of companies in the computer, Internet, information technology, and telecommunications industries); Entertainment Software Association (which represents nearly all major U.S. publishers of computer and video games for video game consoles, handheld devices, personal computers and the Internet); The Internet Association (which consists of 40 of the world's leading Internet companies); National Retail Federation (which is the world's largest retail trade association, representing retailers from the United States and more than 45 countries); North Carolina Chamber (which is North Carolina's largest, broad-based business advocacy organization with over 35,000 members); North Carolina Technology Association (which has over 750 members and focuses on advancing North Carolina's tech industry); and The Retail Litigation Center, Inc. (which advocates in the courts for the leading retailers in the United States).

At first glance, *Amici* appear to have more differences than similarities. With corporate headquarters from Maine to California, some are long established companies, while others are start-ups. Some have brick-and-mortar stores located across the country, while others have only an Internet presence. Some sell products that they manufacture, while others sell services or software.

Amici, however, share at least one thing in common – collectively, they or their members have been sued, repeatedly, for patent infringement in one of the

handful of districts that hear the vast majority of all patent cases. These districts generally are located hundreds or thousands of miles from *Amici's* corporate headquarters and from *Amici's* activities accused of infringement. Venue is often based on no more than allegations that *Amici* do business in the district by placing a small percentage of their allegedly infringing products into the stream of commerce that end up in the district, or that their allegedly infringing websites can be viewed by individuals in the district. In other words, under current Federal Circuit caselaw and the realities of modern e-commerce, *Amici* can be sued in virtually any district in the country and they are sued again and again in inconvenient districts preferred by plaintiffs. *Amici* have a concrete interest in the question whether there is *any* limitation on venue in patent cases under 28 U.S.C. § 1400(b).

SUMMARY OF ARGUMENT

Amici agree with Petitioner that, as this Court has ruled repeatedly, the patent venue statute imposes real restrictions on venue, and the Federal Circuit's contrary view should be rejected. Based on their experience in the trenches, *Amici* briefly address the merits, but primarily focus on the real-world consequences of the Federal Circuit's misreading of the patent venue statute, which has led to pervasive and pernicious forum shopping.

Before turning to the consequences of the Federal Circuit's error, *Amici* note that this is not a difficult case. In the nineteenth century, Congress passed a statute to restrict venue in patent cases, 28 U.S.C. § 1400(b), to correct abuse of the general venue statute (later codified at 28 U.S.C. § 1391) in patent cases, which allowed alleged infringers to be sued almost anywhere. This Court repeatedly interpreted the patent venue statute narrowly, culminating in *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222 (1957), which held that under Section 1400(b) a domestic corporation "resides" where it is incorporated. Although *Fourco* also held that Section 1400(b) is the sole and exclusive provision controlling venue in patent infringement actions, and is not to be supplemented by the provisions of Section 1391(c), the Federal Circuit nevertheless relied upon a later amendment to Section 1391(c) to conclude that this Court's narrow reading of Section 1400(b) in *Fourco* was no longer operative. Suffice it to say, the Federal Circuit cannot overrule this Court, and neither this Court nor Congress has ever overruled *Fourco* or materially amended Section 1400(b). Nothing more is needed to reverse the decision below.

Based upon its erroneous interpretation of Section 1400(b), the Federal Circuit has concluded that venue in patent cases is synonymous with personal jurisdiction. Combined with its embrace of an expansive theory of personal jurisdiction, the Federal Circuit effectively has held that venue in a suit against an

alleged corporate infringer is proper in almost any district in the country. Stated differently, the statute that was passed to restrict venue in patent cases has now been interpreted to apply more expansive venue rules for corporations in patent cases than in non-patent cases.

Extensive statistical evidence and academic research demonstrate that the Federal Circuit's approach has resulted in rampant forum shopping. By 2001, 29% of all patent cases were filed in only five of the 94 districts, and 44% of all patent cases were filed in 10 districts. Since that time, forum shopping has dramatically accelerated. Between 2007 and 2015, 52% of all patent cases were filed in only five districts, and 66% of all patent cases were filed in 10 districts. In 2016, 44% of all patent cases were filed in only two districts, the Eastern District of Texas and the District of Delaware, the district in which this case arose. Since 2014, a single judge in the Eastern District of Texas has handled one-quarter of all patent cases nationwide. Recent scholarly studies have concluded that the most popular patent districts compete to adopt procedures that will – and do – attract plaintiffs to their districts.

Choice of forum plays a critical role in the outcome of patent litigation. Generally in federal litigation, plaintiffs' chances of winning drop from 58% in cases in which there is no transfer to 29% in transferred litigation. In patent cases, the patent holder wins more often than not when it selects the forum of an infringement action, and the alleged infringer wins more often

than not when it selects the forum by filing a declaratory judgment action. In the most popular patent district, the Eastern District of Texas, the patent holder wins 72% of all jury trials. In the districts that hear the most patent cases, courts are less likely to transfer cases or to grant summary judgment, ratcheting up the pressure on accused infringers to settle even weak patent cases in the face of the prospect of extended, expensive litigation. If plaintiffs can sue alleged corporate infringers in any district in the country, it only stands to reason that they will choose to do so in the handful of districts in which they are most likely to prevail or to extract a settlement.

There is no substitute for properly interpreting the patent venue statute. Motions to transfer venue on convenience grounds are not an adequate workaround. Although defendants can move to transfer venue, such motions are committed to the discretion of the district court, are not decided promptly, and are often denied. Almost never appealed after a final judgment, defendants occasionally file a mandamus petition to the Federal Circuit, but mandamus petitions concerning venue are denied nearly 70% of the time. Accordingly, motions to transfer are not a stopgap solution to forum shopping.

Forum shopping harms the legal system by creating inequities in which plaintiffs often can make an outcome-determinative choice by selecting venue, and by causing inefficiencies in which cases are litigated far from the location of the parties, the alleged infringement, and the evidence. Indeed, forum shopping

in patent litigation adversely affects innovation, which is contrary to the constitutional purpose of the patent system, namely, to promote the progress of science and useful arts. Justice cannot be administered blindly and fairly if one of the parties can engage in forum shopping in order to gain an advantage. To restore justice in patent cases, the Court should resuscitate the patent venue statute by reaffirming that the Court says what it means and means what it says.

ARGUMENT

THE COURT SHOULD REITERATE ITS LONG-STANDING, NARROW INTERPRETATION OF THE PATENT VENUE STATUTE TO STOP FORUM SHOPPING.

Congress Enacted a Restrictive Patent Venue Statute. This case concerns the scope of the special patent venue statute, 28 U.S.C. § 1400(b): "Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business." In 1897, "Congress adopted the predecessor to § 1400(b) as a special venue statute in patent infringement actions to eliminate the 'abuses engendered' by previous venue provisions allowing such suits to be brought in any district in which the defendant could be served." *Schnell v. Peter Eckrich & Sons, Inc.*, 365 U.S. 260, 262 (1961) (quoting *Stonite Prods. Co. v. Melvin Lloyd Co.*, 315 U.S. 561, 563 (1942)). The patent venue

statute "was designed 'to define the exact jurisdiction of the . . . courts in these matters,' and not to 'dovetail with the general [venue] provisions.'" *Schnell*, 365 U.S. at 262 (ellipsis and brackets added by Court and quoting *Stonite*, 315 U.S. at 565-66).

"As late as 1957 we have held § 1400(b) to be 'the sole and exclusive provision controlling venue in patent infringements actions.'" *Schnell*, 365 U.S. at 262 (quoting *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222, 229 (1957)). In *Fourco*, the Court held that "28 U.S.C. § 1400(b) is the sole and exclusive provision controlling venue in patent infringement actions, and that it is not to be supplemented by the provisions of 28 U.S.C. § 1391(c)." *Fourco*, 353 U.S. at 229. There, the Court held that a corporation "resides" where it is incorporated. *See id.* at 226.

In its last word on this subject in 1972, the Court concluded that 28 U.S.C. § 1391(d), and not 28 U.S.C. § 1400(b), dictated the venue of a patent infringement lawsuit against a *foreign* corporation that does not "reside" in any district, but noted its prior cases had concluded that for *domestic* corporations, "Congress placed patent infringement cases in a class by themselves, outside the scope of general venue legislation." *Brunette Mach. Works, Ltd. v. Kockum Indus., Inc.*, 406 U.S. 706, 713 (1972). Neither the Court nor Congress has revisited the scope of Section 1400(b) since *Brunette*.

The Federal Circuit Nevertheless Eliminated the Limitations of the Patent Venue Statute. Although this Court held that Section 1400(b) should be interpreted strictly according to its plain meaning without supplementation by Section 1391(c), *see Fourco*, 353 U.S. at 229, the Federal Circuit nevertheless concluded that Congress changed "the long-standing interpretation of the patent venue statute" in 1988 when it amended the definition of "resides" in 28 U.S.C. § 1391(c). *See VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1575 (Fed. Cir. 1990). Applying that amended definition, the court concluded that "[n]ow, under amended § 1391(c) as we here apply it, venue in a patent infringement case includes any district where there would be personal jurisdiction over the corporate defendant at the time the action is commenced." *Id.* at 1583 (brackets added). In other words, the Federal Circuit concluded that the patent venue statute enacted to restrict venue in patent cases no longer imposed *any* additional restrictions on venue for corporations. *See also* Kimberly A. Moore, *Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation?*, 79 N.C. L. Rev. 889, 897 (2001) (*VE Holding* "rendered superfluous the patent venue statute for corporate defendants").

The Federal Circuit likewise has adopted an expansive view of personal jurisdiction, a view that appears more expansive than that endorsed by this Court:

> Despite the Supreme Court's recent decisions questioning the "stream of commerce" theory of personal jurisdiction in product liability cases, the Federal Circuit has held that jurisdiction is proper if the accused products are sold in the forum state, whether those sales are made directly by the alleged infringer or through established distribution networks. Because most accused infringers are corporations whose products are sold nationwide, most patent plaintiffs can sue in any district.

Daniel Klerman & Greg Reilly, *Forum Selling*, 89 S. Cal. L. Rev. 241, 248 (2016) (footnotes omitted); *compare J. McIntyre Mach., Ltd. v. Nicastro*, 131 S. Ct. 2780 (2011), *with Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558 (Fed. Cir. 1994); *see also In re Heartland LLC*, 821 F.3d 1138, 1343-45 (Fed. Cir. 2016) (rejecting argument that *Walden v. Fiore*, 134 S. Ct. 115, 121 n.6 (2014), overruled or limited Federal Circuit's specific jurisdiction jurisprudence).

"Due to weak personal jurisdiction and venue constraints, a patentee can usually 'choose to initiate a lawsuit in virtually any federal district court.'" Klerman & Reilly, *supra*, 89 S. Cal. L. Rev. at 247 (quoting Jeanne C. Fromer, *Patentography*, 85 N.Y.U. L. Rev. 1444, 1451 (2010); *see also* Moore, *supra*, 79 N.C. L. Rev. at 901 ("With borderless commerce the norm and with lax jurisdiction and venue requirements, plaintiffs in patent cases have an unfettered choice of where to bring suit."). The problems that arise from conflating the venue and personal jurisdiction determinations are exacerbated in e-commerce patent actions accusing

a feature of a website of infringement when the website is operated by the defendant from its distant corporate headquarters and merely is available to viewers in the district (along with anyone else anywhere in the world). In such cases, the stream of commerce seemingly flows to the ends of the World Wide Web.

The Federal Circuit Overstepped its Role by Rejecting this Court's Ruling in *Fourco*. Notwithstanding this Court's holding that Section 1400(b) should be interpreted without regard to Section 1391(c), the Federal Circuit concluded that an amendment to Section 1391(c) changed everything. Even if correct – which it was not – that was the wrong approach. As this Court has made plain on numerous occasions, "if a precedent of this Court has direct application in a case, yet appears to rest on reasons rejected in some other line of decisions, the Court of Appeals should follow the case which directly controls, leaving to this Court the prerogative of overruling its own decisions." *Agostini v. Felton*, 521 U.S. 203, 237 (1997) (quotation and brackets omitted); *see also Kimble v. Marvel Entertainment, LLC*, 135 S. Ct. 2401, 2406 n.3 (2015) (in a patent case, the Court quoted Judge Posner's observation that a prior precedent "has been severely, and as it seems to us, with all due respect, justly criticized. . . . However, we have no authority to overrule a Supreme Court decision no matter how dubious its reasoning strikes us, or even how out of touch with the Supreme Court's current thinking the decision seems.") (ellipsis added by Court and quoting *Scheiber v. Dolby Labs., Inc.*, 293 F.3d 1014,

1017-18 (7th Cir. 2002)). The Federal Circuit could disagree with *Fourco*, but it could not overrule it.

The Federal Circuit's approach is even more dubious because it concluded *Fourco* no longer governed interpretation of Section 1400(b) because Congress amended a *different* statute, Section 1391(c). Even if the Court is inclined to consider legislative history, no one seriously suggests that Congress claimed to overrule *Fourco* or amend Section 1400(b) when it amended Section 1391(c). Like someone who loses a dollar in a dark alley, but looks for it on the road under a streetlamp because the light is better, this search for the meaning of Section 1400(b) in a different statute is doomed to failure. *See Fourco*, 353 U.S. at 229 (specific patent venue statute should be interpreted without regard to general venue statute); *cf. Gross v. FBL Fin. Serv., Inc.*, 557 U.S. 167, 174 (2009) ("When conducting statutory interpretation, we must be careful not to apply rules applicable under one statute to a different statute without careful and critical examination.") (quotation omitted).

This Court has never questioned *Fourco* or any of its other prior rulings that venue in patent cases under Section 1400(b) is different from venue in run-of-the-mill cases under Section 1391(c), and Congress has not amended Section 1400(b) since *Fourco* was decided during the Eisenhower Administration. Up to now, Respondent has not suggested that *Fourco* and this Court's prior decisions relied upon in *Fourco* should be overruled. *Cf. City of Springfield v. Kibbe*, 480 U.S. 257, 258 (1987) (*per curiam*) ("We ordinarily will not decide

questions not raised or litigated in the lower courts.") (citations omitted). Particularly in the patent arena, the proper forum for overturning *Fourco* and expanding venue is not the Federal Circuit, or even this Court; it is Congress:

> What is more, *stare decisis* carries enhanced force when a decision, like *Brulotte* [*v. Thys Co.*, 379 U.S. 29 (1964)], interprets a statute. Then, unlike in a constitutional case, critics of our ruling can take their objections across the street, and Congress can correct any mistake it sees.
>
> * * *
>
> [T]he patent laws do not turn over exceptional law-shaping authority to the courts. Accordingly, statutory *stare decisis* – in which this Court interprets and Congress decides whether to amend – retains its usual strong force.

Kimble, 135 S. Ct. at 2409, 2413 (brackets and ellipsis added and citations omitted). Because the Federal Circuit could not overrule *Fourco*, because this Court did not overrule *Fourco*, because no one has asked this Court to overrule *Fourco*, and because the proper forum to amend Section 1400(b) and thereby overrule *Fourco* is Congress, this Court should reverse the decision below without further ado.

Eliminating Patent Venue Limitations Caused Extensive Forum Shopping. Not surprisingly, eliminating the restrictions in the patent venue statute has resulted in rampant forum shopping in

which a handful of districts perceived to be plaintiff-friendly now handle the vast majority of patent lawsuits. This phenomenon is so pronounced today that academics refer to it as "forum selling" or "forum competition" in which districts compete to attract plaintiffs to file patent lawsuits in their courts. *See* Daniel Klerman & Greg Reilly, *Forum Selling*, 89 S. Cal. L. Rev. 241 (2016); J. Jonas Anderson, *Court Competition for Patent Cases*, 163 U. Pa. L. Rev. 631 (2015).

Studies conducted after the Federal Circuit effectively eliminated limitations on venue in 1990 have shown increasing concentration of patent cases in a small handful of districts. In 2001, then-Professor, now-Judge, Moore conducted the first major empirical study of forum shopping in patent cases following the Federal Circuit's elimination of any limitations over venue for corporations. Examining over 10,000 patent cases resolved between 1995 and 1999, she concluded that 29% of all patent cases were filed in only five of the 94 districts, and 44% of all patent cases were filed in only 10 districts. *See* Moore, *supra*, 79 N.C. L. Rev. at 902-904. Furthermore, Professor Moore discussed the Federal Circuit's interpretation of the patent venue statute and found that "[t]he prevalence of forum shopping is a direct by-product of the existing statutory framework." *Id.* at 892. Notably, the district that currently handles over 40% of all patent cases, the Eastern District of Texas, did not even appear in the list of the 10 busiest districts in Professor Moore's study covering 1995-99, reinforcing the conclusion that forum

shopping and not some other factor explains the escalating concentration of patent cases. *See id.* at 903.

Since that time, forum shopping in patent cases has grown markedly worse. Between 2007 and 2015, 52% of all patent cases were filed in only five districts, and 66% of all patent cases were filed in only 10 districts. *See* Klerman & Reilly, *supra*, 89 S. Cal. L. Rev. at 249. By 2013, nearly half of all patent cases were filed in only two districts (the Eastern District of Texas and the District of Delaware, the district in which this case arose), neither of which is a technology or population center; and, in both districts, patent cases constituted a disproportionate share of each district's civil docket. *See* Anderson, *supra*, 163 U. Pa. L. Rev. at 632-33 (28% of civil docket in E.D. Tex. and 56% in D. Del.). Although Delaware is the state of incorporation for many companies, including some of the *Amici*, which thus "reside" in Delaware under the patent venue statute as interpreted by this Court, *see Fourco*, 353 U.S. at 326, for many other companies, Delaware is simply yet another faraway venue. *Cf. In re Heartland LLC*, 821 F.3d at 1340 (Petitioner is Indiana limited liability company).

These statistics, if anything, understate the concentration of patent cases in a small number of districts because non-practicing entities ("NPEs"), *i.e.*, patent trolls, have no real presence and thus no "home court" – accordingly, they are more likely to file suit in the districts perceived to be the most plaintiff-friendly. *See* Douglas B. Wentzel, *Stays Pending Inter Partes Review: Not In The Eastern District Of Texas*, 98 J. Pat. &

Trademark Off. Soc'y 120, 123 (2016) (96.2% of lawsuits filed in E.D. Tex. are filed by NPEs); *cf.* Council of Economic Advisors, *The Patent Litigation Landscape: Recent Research and Developments*, 3 (March 2016) (NPEs' share of patent litigation has increased from under 30% in 2009 to over 60% in 2014). And when these entities do file suit, they are more likely to sue multiple defendants in a single lawsuit (or, more recently, file multiple lawsuits against numerous defendants under the same patent, which are then consolidated for pre-trial purposes). *See* Greg Reilly, *Aggregating Defendants*, 41 Fla. St. U. L. Rev. 1011, 1024 (2014) (twice as many defendants sued per case in E.D. Tex. than national average); Klerman & Reilly, *supra*, 89 S. Cal. L. Rev. at 249 (in 2010, 10% of the patent cases were filed in E.D. Tex., but 25% of all patent defendants were sued there). "In 2007, about 20 percent of all patent infringement defendants were named in cases filed in the Eastern District of Texas, and this percentage increased to almost 50 percent in 2015." GAO Report, *Patent Office Should Define Quality, Reassess Incentives and Improve Clarity*, 16 (June 2016); *see also* Council of Economic Advisors, *supra*, at 4 ("NPEs were overwhelmingly likely to file suit in the Eastern District of Texas or the District of Delaware, and these two courts together accounted for 70 percent of cases filed by NPEs in 2014.").

In 2015, over 53% of all patent cases were filed in only two districts, the Eastern District of Texas (44.2%) and the District of Delaware (9.4%), and 67% of all patent cases were filed in only five districts. *See* Docket

Navigator, *2015 Year in Review*, 18 (2016). "In fact, one judge – Judge Rodney Gilstrap of Marshall, Texas – saw almost one quarter of all patent case filings nationwide [since 2014], more than all the federal judges in California, New York, and Florida combined." Brian J. Love & James Yoon, *Predictably Expensive: A Critical Look at Patent Litigation in the Eastern District of Texas*, 20 Stan. Tech. L. Rev. 1, 6 (2017) (brackets added and footnote omitted); *see also* Frederick L. Cottrell III, *et al.*, *Nonpracticing Entities Come to Delaware*, Federal Lawyer, 63 (Oct. 2013) (each judge in D. Del. has 400-500 patent cases). In 2016, the concentration of patent filings decreased only slightly – over 44% of all new patent cases were filed in the Eastern District of Texas (35.4%) and the District of Delaware (9.2%). Kevin Benton, *New Patent Filings Down in 2016, Lowest Since 2011: Report* (2017) (available at https://www.law360.com/articles/850061/new-patent-filings-down-in-20).

Because the Federal Circuit eliminated restrictions on venue over corporations in the patent venue statute, districts can – and do – compete to attract plaintiffs to file patent lawsuits in their districts. *See* Anderson, *supra*, 163 U. Pa. L. Rev. at 635 ("maintaining trial management practices in a predictable manner that favors a particular type of litigant (almost always plaintiffs) allows district courts to compete for the business of litigation"); Klerman & Reilly, *supra*, 89 S. Cal. L. Rev. at 243 (judges in E.D. Tex. "have sought to attract patent plaintiffs to their district and have

distorted the rules and practices relating to case assignment, joinder, discovery, transfer, and summary judgment in a pro-patentee (plaintiff) direction"); Cottrell, *supra*, Federal Lawyer at 64 (D. Del. is the second most favorable jurisdiction for patent plaintiffs based on case management approach). In a world in which a patent holder can file a patent case against any defendant in virtually any district, it stands to reason that such cases would be filed in the districts most hospitable to plaintiffs.

Motions To Transfer Are Not an Adequate Substitute for Proper Interpretation of the Patent Venue Statute. Although defendants can move to transfer venue pursuant to 28 U.S.C. § 1404(a), such motions offer the wrong relief too late, placing the burden on the accused infringer to show why convenience favors transfer, rather than on the patent holder to show that the chosen venue is proper. Although such transfer motions obviously are filed only by defendants that do not "reside" in the district under *Fourco*'s interpretation of Section 1400(b), transfer motions do not solve the problems caused by the Federal Circuit's effective erasure of Section 1400(b) for numerous reasons.

First, transfer motions are committed to the discretion of the district court. *See Stewart Org., Inc. v. Ricoh Corp.*, 487 U.S. 22, 29-30 (1988). *Second*, "the most popular current destinations for patent plaintiffs – the Eastern District of Texas and the District of Delaware – both have reputations as districts that are

unlikely to grant transfer motions." Anderson, *supra*, 163 U. Pa. L. Rev. at 676 (footnote omitted).

Third, courts are slow to act on motions to transfer. *See* Professors' Letter Supporting Venue Reform, at 2 (July 12, 2016) (available at http://patentlyo.com/patent/2016/07/professors-patent-reform.html) ("The average grant of transfer in [E.D. Tex.] took over a year (490 days), and the average denial of a transfer motion took 340 days, meaning that even cases that are ultimately transferred remain pending in the district for nearly a year.") (brackets added and footnote omitted). Because motions to transfer (and motions to dismiss, for that matter) do not automatically stay discovery or litigation, defendants routinely settle their cases to avoid the high cost of patent litigation rather than wait a year or more for a ruling on even meritorious motions to transfer or dismiss. *See* Love & Yoon, *supra*, 20 Stan. Tech. L. Rev. at 21-24; *cf.* Klerman & Reilly, *supra*, 89 S. Cal. L. Rev. at 268-70 (onerous and asymmetrical discovery requirements imposed on defendants).

Fourth, defendants rarely, if ever, challenge venue or denial of motions to transfer venue after entry of final judgment in patent cases (and obviously cannot appeal if they settle instead of incurring the enormous cost and risk of litigating in a hostile or remote district). Rather, on occasion, defendants will challenge the denial of a motion to transfer by filing a mandamus petition to the Federal Circuit, where the heightened standard for obtaining extraordinary relief further enhances the difficulty of obtaining a reversal of a discretionary determination.

Finally, if the motion to transfer venue is denied, the Federal Circuit is unlikely to overturn that decision in a mandamus petition. Overall, the Federal Circuit grants only about 10% of the mandamus petitions it considers. *See* Paul R. Gugliuzza, *The New Federal Circuit Mandamus*, 45 Indiana L. Rev. 343, 345-46 (2012). Before 2008, the Federal Circuit had never granted a mandamus petition to overturn a decision denying transfer. *See* Anderson, *supra*, 163 U. Pa. L. Rev. at 676. Following *In re TS Tech USA Corp.*, 551 F.3d 1315 (Fed. Cir. 2008), the Federal Circuit found that the district court (usually the Eastern District of Texas) had clearly abused its discretion in denying a motion to transfer in only 11 cases by 2012, *see* Gugliuzza, *supra*, at 346 (footnote omitted), and since 2012, in reported cases, the Federal Circuit has only granted five such petitions (and none in the last two years). *See In re TOA Techs., Inc.*, 543 Fed. Appx. 1006 (Fed. Cir. Oct. 3, 2013); *In re Toyota Motor Corp.*, 747 F.3d 1338 (Fed. Cir. 2014); *In re WMS Gaming Inc.*, 564 Fed. Appx. 579 (Fed. Cir. Apr. 23, 2014); *In re Nintendo of Am.*, 756 F.3d 1363 (Fed. Cir. 2014); *In re Apple, Inc.*, 581 Fed. Appx. 886 (Fed. Cir. Sept. 11, 2014). In sum, the Federal Circuit has only granted 17 of 54 (31%) of the mandamus petitions concerning denial of venue since 2008.

Stated differently, motions to transfer are decided slowly, if at all; when they are decided, they are usually denied; and in the minority of cases in which the denials of the motions to transfer are challenged in the Federal Circuit, those mandamus petitions are usually

denied. In short, motions to transfer – vested in the discretion of the trial court – are no substitute for a proper application of the patent venue statute, 28 U.S.C. § 1400(b), which was enacted to limit jurisdiction in patent cases.

Forum Shopping Undermines Justice and the Appearance of Justice. "Venue is worth fighting over because outcome often turns on forum." Kevin M. Clermont & Theodore Eisenberg, *Exorcising the Evils of Forum Shopping*, 80 Cornell L. Rev. 1507, 1508 (1995). In their groundbreaking study of over 2.8 million federal civil lawsuits, Professors Clermont and Eisenberg found that plaintiffs' chances of winning drop from 58% in cases in which there is no transfer to 29% in transferred litigation. *Id.* at 1512. In her study of over 10,000 patent cases, Professor Moore found that the patent holder wins 58% of the time when it selects the forum, but wins only 44% of the time in a declaratory judgment action when the alleged infringer selects the forum. *See* Moore, *supra*, 79 N.C. L. Rev. at 921.

The President's Council of Economic Advisors recently surveyed the research and found that patent litigation today is plagued by parties seeking to game the system through forum shopping:

> This type of "forum shopping" is a notable feature of the current patent litigation environment. It is not surprising that litigants are motivated to act in this way; litigation success rates vary widely across district courts, as do damages and time to trial. The uncertainty

> around litigation costs and outcomes may lead defendants to settle quickly to avoid high costs or unfavorable decisions, even when the suit has little merit.

Council of Economic Advisors, *supra*, at 4 (citation omitted).

Forum shopping has an even greater impact when cases go to trial. In the most popular patent district, the Eastern District of Texas, the patent holder wins 72% of all jury trials. *See* Klerman & Reilly, *supra*, 89 S. Cal. L. Rev. at 254. "Perhaps nothing increases the patentee's chances of a favorable resolution more than making it to trial." *Id.* at 251. It is not surprising, then, that plaintiffs select venues that favor trial over summary judgment:

> [J]udges in the Eastern District of Texas grant summary judgment at less than one-quarter the rate of judges in other districts. Only Delaware even approaches the Eastern District of Texas, and its summary judgment rate is twice that of the Eastern District of Texas.

Id. (brackets added); *see also* Anderson, *supra*, 163 U. Pa. L. Rev. at 655 (judges in D. Del. "grant summary judgment motions rarely") (footnote omitted).

Similarly, motions to stay pending *inter partes* review are granted 62% of the time nationally (and 80.4% of the time nationally when the plaintiff is a non-practicing entity), but only 15.6% of the time in the Eastern District of Texas. *See* Wentzel, *supra*, 98 J.

Pat. & Trademark Off. Soc'y at 124. "Perhaps deterred by this low success rate, fewer stay motions were made in the Eastern District [of Texas] (1% of total 2013-2014 case filings) than in the District of Delaware (2.2%), . . . [and] Northern District of California (11%)." Klerman & Reilly, *supra*, 89 S. Cal. L. Rev. at 264 (ellipsis and brackets added). "As a result, the Eastern District's stay rate in 2013-2014 was only 0.4% of filed cases, significantly lower than districts like the District of Delaware (1.3%) and Northern District of California (6.5%)." *Id.* (footnote omitted).

The *prospect* of trial may be enough for a patentee to obtain a favorable resolution through settlement. *See* Anderson, *supra*, 163 U. Pa. L. Rev. at 655-56 ("The infrequency of obtaining summary judgment increases costs for defendants, increases the odds of getting to trial, and incentivizes defendants to settle out of fear of potentially large damage awards.") (footnote omitted); *accord* Cottrell, *supra*, Federal Lawyer at 64. Beyond the risk of loss at trial in a plaintiff-friendly forum is the enormous cost of discovery and litigation in a far-off venue:

> By bringing suit in far-flung, perceivably-plaintiff-friendly "magnet jurisdictions," nuisance plaintiffs can satisfy the minimum Constitutional venue requirements while subjecting defendants to the cost and inconvenience of having to litigate in a distant location.

Ranganath Sudarshan, *Nuisance-Value Patent Suits: An Economic Model and Proposal*, 25 Santa Clara High Tech. L.J. 159, 165 (2008) (footnote omitted); *see*

also id. at 172 ("Perhaps the greatest factor contributing to the existence of nuisance-value patent suits is the high cost of patent litigation."). This conclusion has been empirically demonstrated in patent litigation by the Federal Trade Commission ("FTC"), which found, using its subpoena power, that non-practicing entities routinely price patent litigation settlements at less than $300,000, which not surprisingly is below the lower range of early-stage litigation costs of defending a patent infringement suit. *See* FTC, *Patent Assertion Entity Activity*, 88-90 (2016); *see also id.* (30% of litigation settlements are less than $50,000). Because 77% of such settlements "fell below a *de facto* benchmark for the nuisance cost of litigation[,]" *i.e.*, less than $300,000, "[t]his suggests that discovery costs, and not the technological value of the patent, may set the benchmark for settlement value" in such cases. *Id.* at 10 (brackets added).

In examining the most popular patent jurisdiction resulting from the Federal Circuit's refusal to apply any meaningful restrictions on venue, scholars have concluded "that the driving force behind the jurisdiction's popularity is the combination of plaintiffs' ability to impose early, broad discovery obligations on accused infringers and defendants' inability to obtain an early procedural or substantive victory through motion practice." Love & Yoon, *supra*, 20 Stan. Tech. L. Rev. at 22-24.

> Accordingly, restricting patentees' ability to file suit in East Texas in the first place may be the *single most effective reform* available to

> Congress and the courts to limit the use of forum selection as a weapon to impose increased legal costs on companies sued for patent infringement.

Id. at 6 (emphasis added).

Suffice it to say, commentators uniformly condemn forum shopping in patent litigation. "Forum shopping can be harmful to the legal system by distorting the substantive law, by showcasing the inequities of granting plaintiffs an often outcome-determinative choice among many district courts, and by causing numerous economic inefficiencies, including inconveniences to the parties." Fromer, *supra*, 85 N.Y.U. L. Rev. at 1445. Forum shopping, and the resulting rise of patent litigation with little substantive merit in a handful of jurisdictions, has reduced innovation, and may adversely affect entrepreneurship. *See* Council of Economic Advisors, *supra*, at 1, 5, 7. This, of course, is the antithesis of the purpose of the patent system, namely, to promote the progress of science and useful arts. *See* U.S. Const. art. I, § 8, cl. 8.

In addition to its adverse effect on justice, forum shopping adversely affects the appearance of justice: "Forum shopping conjures negative images of a manipulable legal system in which justice is not imparted fairly or predictably." Moore, *supra*, 79 N.C. L. Rev. at 892; *see also id.* at 924-30 (discussing the "evils" of forum shopping, namely, inequity and inefficiency).

"Forum shopping has fundamentally altered the landscape of patent litigation in ways detrimental to

the patent system as a whole." Anderson, *supra*, 163 U. Pa. L. Rev. at 637 (footnote omitted). "Court competition creates even more problems, ranging from reduced trust in the judicial process to uneven playing fields for litigants." *Id*. By reviving the currently moribund patent venue statute, 28 U.S.C. § 1400(b), in accord with its express language and original intent, the Court could restore trust in the judicial process and reinstate a level playing field. And, perhaps, once again, the patent system could promote the progress of science and useful arts.

CONCLUSION

Amici Curiae respectfully submit that the Court should reverse the decision below.

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Petitioner,

v.

KRAFT FOODS GROUP BRANDS LLC,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF *AMICUS CURIAE* GENENTECH, INC. IN SUPPORT OF RESPONDENT

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INTEREST OF *AMICUS CURIAE*

Genentech, Inc., a member of the Roche Group, is a biotechnology company that employs approximately 11,000 people to fulfill its mission of discovering, developing, manufacturing, and commercializing medicines to treat patients with serious or life-threatening medical conditions. Founded in the 1970s as the first biotechnology company, Genentech has an extensive track record of bringing new disease treatments to patients, and continues an active program of filing and prosecuting patent applications to protect its inventions. Genentech is involved in all aspects of the patent system, including as a licensor of patent rights and as a licensee, and has participated in patent litigation in U.S. district courts across the country as both a plaintiff and as a defendant.

Among other types of biopharmaceutical patent litigation, Genentech has been and expects to continue to be involved in lawsuits under the Biologics Price Competition and Innovation Act (BPCIA) (relating to proposed biosimilar versions of biologics) and under the Hatch-Waxman Act (relating to proposed generic versions of small molecule drugs).

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[1] Pursuant to Supreme Court Rule 37.6, Genentech affirms that no counsel for a party authored this brief in whole or in part, and no party or counsel for a party made a monetary contribution intended to fund the preparation or submission of this brief. The parties have consented, either by express written consent (filed with this brief), or by filing a letter documenting consent.

Those cases raise issues distinct from those raised by Petitioner. Genentech submits this *amicus* brief to highlight venue issues unique to generic drug and biosimilar lawsuits, which are among the most statutorily structured types of patent litigation in the federal system. Genentech respectfully requests that the Court affirm the judgment of the Federal Circuit. Any reform of patent venue laws should be left to Congress, which can take into account the disparate venue issues raised by the broad variety of patent cases, including those under the Hatch-Waxman and BPCIA statutes.

SUMMARY OF ARGUMENT

The wide range of patent cases includes the non-practicing-entity cases that appear to animate the arguments of Petitioner and many of its supporting *amici*. It also includes, however, litigation between innovator companies like Genentech, on the one hand, who develop new drugs and shepherd those drugs through the lengthy FDA approval process, and generic drug and biosimilar manufacturers, on the other hand, who seek approval through the abbreviated pathways provided by the Drug Price Competition and Patent Term Restoration Act of 1984 (the Hatch-Waxman Act) and the Biologics Price Competition and Innovation Act of 2010 (the BPCIA).

Due in part to the statutory framework underlying biosimilar and generic drug litigation, these lawsuits raise unique venue issues. For example, the act of infringement in litigation concerning biosimilars and generic drugs is not the sale or use or marketing of the patented invention, but instead the act of submitting to the Food and Drug Administration (FDA) an abbreviated biologic license application (aBLA) or an abbreviated new drug application (ANDA). *See* 35 U.S.C. § 271(e)(2). Because the biosimilar or generic drug manufacturer controls when and whether to submit an application to FDA, and in that sense controls whether it will be sued, Hatch-Waxman and BPCIA suits do not present the types of issues discussed by many *amici curiae* regarding suits brought by, for example, non-practicing entities.

Moreover, because both the BPCIA and the Hatch-Waxman Act may substantially penalize a patent owner that does not timely file a valid suit against a biosimilar applicant or ANDA filer, innovator companies like Genentech are already statutorily incentivized to sue in a district in which the biosimilar applicant or ANDA filer has strong ties. Generic drug manufacturers and biosimilar applicants may assert that significant negative consequences flow from filing where venue is improper. The months needed to litigate venue can themselves effect harm to the innovator. This is one reason, for example, why so many Hatch-Waxman suits are brought in Delaware and New Jersey, home to many pharmaceutical companies, including those who produce generic drugs.[2]

The statutory mechanism for resolving patent disputes under the Hatch-Waxman Act has been a

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[2] *Amicus curiae* GPhA suggests this concentration of Hatch-Waxman cases bespeaks forum shopping. It does not. It reflects that the majority of the U.S. pharmaceutical industry—both innovative and generic—has a presence in Delaware, New Jersey, or Pennsylvania, with nineteen of the thirty-one listed 2016 GPhA Regular Members incorporated in Delaware or New Jersey. *See* Delaware Economic Development Office, *A Flourishing Life Sciences Industry*, http://dedo.delaware.gov/Industries/Life-Sciences (last visited Mar. 7, 2017); List of 2016 GPhA Regular Members, http://www.gphaonline.org/about/membership/ (last visited Mar. 7, 2017).

Despite this concentration, however, twenty-seven percent of Hatch-Waxman cases from 2009 to 2015 were filed in districts other than Delaware and New Jersey. *See* Brian C. Howard & Jason Maples, Lex Machina, Hatch-Waxman/ANDA Litigation Report 2015, at 3–4. (Apr. 2016).

success. As *amicus curiae* the Generic Pharmaceutical Association ("GPhA") notes, over 88 percent of the prescription drugs dispensed in the United States are generic drugs, up from only around 19 percent of prescriptions when the Act came into force. The system is working.

It is within Congress's authority to change that system if it so chooses, but until such time as it does, this Court should ensure that its ruling in this case does not imperil the complex process through which generic and biosimilar drugs reach the market.

ARGUMENT

I. AN OVERVIEW OF THE CURRENT SYSTEM

A. The Hatch-Waxman Act and ANDA Litigation

In the United States, approval for pharmaceuticals that are not biologics is based on the New Drug Application (NDA). *See Caraco Pharm. Labs., Ltd.* v. *Novo Nordisk A/S*, 566 U.S. 399, 404 (2012). (Genentech addresses approval of biologics in Point I.B below.)

Because an innovator seeking approval of a new drug must typically conduct both animal testing and multiple phases of clinical trials in humans, all in accordance with FDA's rigorous standards for safety, the NDA process can be both lengthy and costly. Factoring in the additional costs of drug discovery prior to the start of the approval process, and the costs of failed drugs, the cost is even higher.

The Hatch-Waxman Act created a pathway for simplified approval of a generic version of an innovative drug that had itself already been approved through the NDA process. The proposed generic drug manufacturer may "file an abbreviated new drug application (ANDA) piggy-backing on the brand's NDA." *Caraco Pharm. Labs., Ltd.*, 566 U.S. at 404–05. A generic drug manufacturer applicant need not submit preclinical animal data or data from clinical trials in humans. *See* FDA, The Generic Drug Approval Process, https://www.fda.gov/Drugs/NewsEvents/ucm508150.htm (last

visited Mar. 7, 2017). As its name suggests, the Drug Price Competition and Patent Term Restoration Act of 1984 had two goals: to allow lower-cost generic drugs to reach the market more quickly, and to restore to the innovator some of the patent life lost during the lengthy NDA process. *See* H.R. Rep. No. 98-857, pt. 1, at 14–15 (1984), *reprinted in* U.S.C.C.A.N. 2647, 2648.

As this Court has explained, "[b]ecause the FDA cannot authorize a generic drug that would infringe a patent, the timing of an ANDA's approval depends on the scope and duration of the patents covering the brand-name drug." *Caraco Pharm. Labs., Ltd.*, 566 U.S. at 405. In order to ensure that any disputes regarding the scope or validity of the innovator's patents are timely resolved, the Hatch-Waxman Act established rules creating and governing so-called "ANDA litigations." Genentech addresses below how these ANDA-specific procedures interact with and are implicated by the venue statutes.

The Hatch-Waxman Act has been enormously effective in allowing generic drugs to reach the market. When it was adopted in 1984, generic drugs accounted for only 19 percent of prescriptions filled. *See* International Trade Administration, 2016 Top Markets Report: Pharmaceuticals at 4 (2016).[3] By 2000, that number reached 49%. *See* Pharmaceutical Research and Manufacturers of

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[3] *Available at* http://trade.gov/topmarkets/pdf/Pharmaceuticals_Executive_Summary.pdf.

America (PhRMA), 2016 Industry Profile (2016).[4] In 2015, generic drugs accounted for 88 percent of prescriptions filled but only 28 percent of drug costs. *See* International Trade Administration, 2016 Top Markets Report: Pharmaceuticals at 4 (2016); GPhA Report, Generic Drug Savings in the U.S. at 1 (2015).[5]

B. The BPCIA and Biosimilars Litigation

Congress enacted the BPCIA in 2010, as part of the Patient Protection and Affordable Care Act, with "certain similarities in its goals and procedures to the" Hatch-Waxman Act. *Amgen Inc.* v. *Sandoz Inc.*, 794 F.3d 1347, 1351 (Fed. Cir. 2015).[6] Before the BPCIA, FDA could license a biologic medicine only under the traditional approval pathway of 42 U.S.C. § 262(a), which typically requires the full three phases of clinical trials. "An applicant filing a biologics license application ("BLA") typically provides clinical data to demonstrate the safety and efficacy of its product." *Amgen*, 794 F.3d at 1351.

The BPCIA established a new, abbreviated regulatory pathway, *see* 42 U.S.C. § 262(k), by which FDA could license a biologic product as "biosimilar" to or "interchangeable" with a biologic product that had itself previously been licensed under the traditional § 262(a) pathway. The BPCIA

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[4] *Available at* http://phrma-docs.phrma.org/sites/default/files/pdf/biopharmaceutical-industry-profile.pdf.

[5] *Available at* http://www.gphaonline.org/media/wysiwyg/PDF/GPhA_Savings_Report_2015.pdf.

[6] The *Amgen* decision is before this Court during this Term. *See* Nos. 15-1039 and 15-1195. The issues addressed in this brief are independent of the resolution of that case.

permits the biosimilar applicant to file an abbreviated BLA (an "aBLA") and to "reference" the innovator's license and thus rely on the innovator's own demonstration of safety and efficacy, saving the applicant time and expense. Congress established this pathway, again, to meet and to balance competing goals: "balancing innovation and consumer interests." BPCIA, Pub. L. No. 111–148, § 7001(b), 124 Stat. 119, 804 (2010).

To protect innovation, then, Congress also created a process by which the innovator—in the language of the BPCIA, the "sponsor"—receives information about the applicant's aBLA and proposed product, and receives notice and time to act on its patent rights, and to file suit to protect those rights. *See* 42 U.S.C. § 262(*l*). Genentech addresses below how these BPCIA-specific procedures interact with and are implicated by the venue statutes.

The BPCIA is, of course, far newer than the Hatch-Waxman Act. Thus far, however, FDA has licensed four biosimilar products: Zarxio® (filgrastim-sndz), which is Sandoz's biosimilar of Amgen's Neupogen® (filgrastim); Inflectra® (infliximab-dyyb), which is Pfizer Inc.'s biosimilar of Janssen Biotech, Inc.'s Remicade® (infliximab); Erelzi® (etanercept-szzs), which is Sandoz's biosimilar of Amgen's Enbrel® (etanercept); and Amjevita® (adalimumab-atto), which is Amgen's biosimilar of Abbott's Humira® (adalimumab).

II. ANDA AND BPCIA SUITS INVOLVE VENUE ISSUES NOT ADDRESSED BY PETITIONER

A. The Precipitating Act of Infringement Is Within the Defendant's Control

Much of the concern animating patent-venue debates stems from the possibility of a defendant being caught unaware that it is infringing a patent, and sued when it does not expect to be sued. Whether and to whatever extent that is a valid concern in other kinds of patent cases, Genentech notes here that it is not a concern in either ANDA or BPCIA cases. Instead, under both the Hatch-Waxman Act and the BPCIA, the trigger for pre-marketing litigation is entirely within the ANDA or aBLA filer's control. It is "an act of infringement to submit" an ANDA or aBLA, 35 U.S.C. § 271(e)(2)(A), (C), and whether and when to submit that filing is entirely up to the applicant.

ANDA and BPCIA suits are among the most structured and planned types of litigation in the federal system. Both the Hatch-Waxman Act and the BPCIA impose obligations on the innovator and the generic drug or biosimilar manufacturer that precede the filing of litigation. Non-compliance with those obligations risks the loss of important rights.

1. The Hatch-Waxman Act

In ANDA cases, the innovator must submit information to FDA concerning the patents it holds relating to its drugs to be published in the Approved Drug Products with Therapeutic Equivalence

Evaluations, commonly known as the Orange Book. *See Caraco Pharm. Labs., Ltd.*, 566 U.S. at 405–06. A company wishing to manufacture a generic drug may consult the Orange Book to determine when it will be able to file an ANDA and how long patent coverage is expected to last.

If, as is common, a generic drug manufacturer does not wish to wait for all of an innovator's patents to expire before introducing its product into the market, it may initiate a dispute with the innovator by submitting to FDA a "paragraph IV" certification stating that it contends that one or more of the Orange-Book listed patents are invalid or will not be infringed by the manufacture, use, or sale of the proposed generic drug. *See Caraco Pharm. Labs., Ltd.*, 566 U.S. at 407. The generic drug manufacturer must also provide a copy of that certification to the innovator/patent owner. *See* 21 U.S.C. § 355(j)(2)(B).

To avoid forfeiting certain rights, the innovator must then file suit within forty-five days of receiving notice from the generic drug manufacturer that it had filed an ANDA with FDA. *See* 21 U.S.C. § 355(j)(5)(B)(iii).

To facilitate such suits, Congress made the act of submitting an ANDA to FDA an act of patent infringement. Specifically, Congress provided that it "shall be an act of infringement" to submit an ANDA "for a drug claimed in a patent or the use of which is claimed in a patent." 35 U.S.C. § 271(e)(2)(A). This "artificial," or "technical," act of infringement is key to the Hatch-Waxman Act structure. *E.g.*, *Eli Lilly & Co.* v. *Medtronic, Inc.*,

496 U.S. 661, 678 (1990) ("artificial" act); *Acorda Therapeutics* v. *Mylan Pharms. Inc.*, 817 F.3d 755, 760 (Fed. Cir. 2016) (same); *Ferring B.V.* v. *Watson Labs., Inc.-Florida*, 764 F.3d 1401, 1408 (Fed. Cir. 2014) ("technical" and "artificial" act).

Prior to FDA approval, and outside of the statutory safe harbor for acts "solely for uses reasonably related to" obtaining regulatory approval, *see* 35 U.S.C. § 271(e)(1), a generic drug manufacturer cannot lawfully make, use, sell, offer for sale, or import into the United States its product. That is, it cannot engage in "concrete, non-artificial acts of infringement." *Acorda*, 817 F.3d at 760. Therefore, prior to FDA approval of the ANDA and imminent market entry, the innovator may not be able to sue for traditional patent infringement under, for example, 35 U.S.C. § 271(a), (b), and (c). The technical act of infringement under Hatch-Waxman thus exists to facilitate resolution of patent disputes before FDA licensure. *See Acorda*, 817 F.3d at 760. But whether to submit an ANDA, and thus incur the risk of such litigation, is entirely within the control of the generic drug manufacturer.

2. The BPCIA

Here, the BPCIA closely parallels the Hatch-Waxman procedures. In the BPCIA, too, Congress made the filing of an aBLA a technical act of infringement permitting pre-licensure patent litigation. *See* 35 U.S.C. § 271(e)(2)(C); 42 U.S.C. § 262(*l*)(6). Which patents are infringed turns on whether the biosimilar applicant provides or "fails to provide" a copy of its aBLA and related manufacturing information "required under" 42

U.S.C. § 262(*l*)(2)(A). *Compare* 35 U.S.C. § 271(e)(2)(C)(i), *with* (ii).

B. The Hatch-Waxman Act and BPCIA May Impose Harsh Penalties on a Patentee Whose Suit Is Dismissed

The Hatch-Waxman Act and the BPCIA each specify consequences where the innovator does not timely file suit on the applicant's technical act of infringement. And generic drug manufacturers will assert—and, in the case of ANDA suits, have had some success in asserting—those consequences where the innovator files suit, but in an improper forum. As this Court considers the scope of patent venue, Genentech submits that it should consider potential unintended consequences of unduly restrictive venue laws.

1. The Hatch-Waxman Act

Under the Hatch-Waxman Act, as described above, once the innovator receives a generic drug manufacturer's Paragraph IV notice, it has forty-five days in which to sue. If the innovator does not sue within that time period, FDA may approve the generic manufacturer's ANDA despite the existence of potentially applicable patents. On the other hand, if the innovator timely sues, "FDA may not approve the ANDA until expiration of the patent, resolution of the suit, or thirty months after the patentee's receipt of notice, whichever is earlier." *Eli Lilly & Co.* v. *Teva Pharm. USA, Inc.*, 557 F.3d 1346, 1348 (Fed. Cir. 2009); *see also* 21 U.S.C. § 355(j)(5)(B)(iii). An innovator that does not sue

within the prescribed forty-five days could thus forfeit years of exclusivity.

Where innovators have sued within the forty-five days but the action is dismissed, a "failure to maintain" the suit "can result in the patent holder's loss of its patent claims." *Pfizer, Inc.* v. *Mylan, Inc.*, No. 1:09-CV-79, 2009 WL 10270101, at *1 (N.D.W. Va. Nov. 20, 2009). This led to a practice of innovators filing multiple suits in multiple jurisdictions—so-called "protective suits"—in order to "preserve [their] rights to the statutory 30-month stay of FDA approval." *AstraZeneca Pharms. LP* v. *Intellipharmaceutics Corp.*, No. 11-2973 (JAP), 2012 WL 525963, at *1 (D.N.J. Feb. 15, 2012); *see also, e.g.*, *Novartis AG* v. *Ezra Ventures, LLC*, No. 4:15-cv-00095 KGB, 2015 WL 4197692, at *2 (E.D. Ark. July 10, 2015); *Abbott Labs.* v. *Mylan Pharms., Inc.*, No. 05 C 6561, 2006 WL 850916, at *8 (N.D. Ill. Mar. 28, 2006) ("[P]atent holders are stuck between a jurisdictional rock and hard place: file suit in the forum of choice but risk losing patent protection if the suit is dismissed for personal jurisdiction, or file suit in the only known safe forum and incur all the inconvenience of litigating the matter in a distant location.").

In light of *Acorda*, and if this Court were to reverse the decision below, venue issues could become more important in ANDA cases. In *Acorda*, the Federal Circuit held that registering to do business in a state, authorizing an agent to accept service of process there, and filing an ANDA intending to direct sales of the approved generic drug into that state were sufficient to establish constitutional minimum contacts for specific

jurisdiction over the generic drug manufacturer in that state. *See* 817 F.3d at 763. *Acorda* may therefore reduce the likelihood of personal-jurisdiction battles in future ANDA cases.

Depending on the Court's resolution of this case and the role of 28 U.S.C. § 1391(c)(2) in patent cases, however, *Acorda* may have no effect on venue. The Federal Circuit specifically recognized that a finding of minimum contacts "does not end" any "venue inquiries." *Id.* The Federal Rules permit motions to dismiss for improper venue in lieu of an answer, *see* Fed. R. Civ. P. 12(b)(3), and Congress has authorized the federal courts, on a timely objection, to dismiss cases "laying venue in the wrong division or district" or to transfer them "if it be in the interest of justice." 28 U.S.C. § 1406(a), (b).

The Court should recognize that generic drug manufacturers will assert lack of venue to the extent possible in order to attempt to obtain dismissal of an innovator's lawsuit within the 45-day Hatch-Waxman period. While venue transfer may blunt the success of that strategy where district courts find that the interests of justice warrant transfer, the risk to innovators of venue fights are significant. And the likelihood that a venue controversy will be resolved within 45 days, absent (and perhaps even with) expedited motion practice, is vanishingly small.[7]

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[7] As Respondent and multiple *amici* point out, a holding that Section 1391(c)'s definitions of residence do not apply to Section 1400(b) also risks creating a venue framework under

2. The BPCIA

Here, the BPCIA differs significantly from the language of the Hatch-Waxman Act. As the Court will hear in the *Sandoz* v. *Amgen* case this Term, the BPCIA "Patents" provisions in subsection 262(*l*) include an "Immediate Patent Infringement Action" that the sponsor "shall bring" on certain listed patents within a 30-day period. *See* 42 U.S.C. § 262(*l*)(6)(a), (b). In enacting the BPCIA, Congress amended the provisions of Section 271 of Title 35 to prescribe consequences where the sponsor does not timely bring that § 262(*l*)(6) action or where it is dismissed, even without prejudice.

Specifically, instead of the remedies for the § 271(e)(2) technical act of infringement ordinarily provided by § 271(e)(4), the more limited remedy of § 271(e)(6)(B)—only a reasonable royalty—applies for any patent listed by the parties pursuant to 42 U.S.C. § 262(*l*)(4) or (5) for which an act of infringement:

> (I) was brought after the expiration of the 30-day period described in subparagraph (A) or (B), as applicable, of [42 U.S.C. § 262(*l*)(6)]; or
>
> (II) was brought before the expiration of the 30-day period described in subclause (I), but which was dismissed without prejudice or was not prosecuted to judgment in good faith.

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which there would be no proper venue in which to sue certain foreign corporations. Resp. Br. at 26.

35 U.S.C. § 271(e)(6)(A)(ii).

Thus far, these provisions have not been implicated in any of the lawsuits under the BPCIA, to Genentech's knowledge. Given the disputes that have already arisen, however, about many other aspects of the BPCIA, including but by no means limited to those in the *Sandoz* v. *Amgen* case, it is not hard to imagine a biosimilar applicant arguing that dismissal of an action for improper venue, even "without prejudice," or that filing a protective suit and not prosecuting it to judgment, implicates the penalties of § 271(e)(6). To be sure, the sponsor would have powerful counter-arguments about the purpose of these penalty provisions and their inapplicability to a dispute over venue. As this Court considers venue in patent cases, however, it should recognize that defendants will have a strong incentive to assert dismissal on any number of grounds, including for improper venue, because of the potentially harsh statutory consequences that could flow from such a dismissal in ANDA and BPCIA cases.

III. CONGRESS HAS RECOGNIZED THE SPECIAL STATUS OF ANDA AND BPCIA SUITS

When Congress enacted the 2011 Leahy-Smith America Invents Act ("AIA"), Pub. L. No. 112–29, it indirectly addressed venue in patent cases by restricting joinder so that non-practicing entities could no longer sue unrelated defendants in a single action. *See* Br. of *Amicus Curiae* Unified Patents Inc. at 3. Thus, Congress created § 299 of Title 35, providing that "accused infringers may not be joined

in one action as defendants . . . based solely on allegations that they each have infringed the patent or patents in suit." 35 U.S.C. § 299(b). That provision is more strict than the joinder standard of Fed. R. Civ. P. 20, and can make it more costly and difficult for a non-practicing entity to pursue multiple defendants.

Notably, Congress created an express exemption that applies to ANDA and BPCIA cases. By its terms, § 299 does not apply to "an action or trial in which an act of infringement under section 271(e)(2) has been pled." 35 U.S.C. § 299(a). The technical acts of infringement for both ANDA and BPCIA cases are within § 271(e)(2). Thus, by statute, an innovator may join multiple generic drug manufacturers or multiple biosimilar applicants in the same case.

That makes sense. It is not uncommon for multiple generic drug manufacturers to target the same innovative drug.[8] Because, by law, the generic products must each be bioequivalent to the innovative product, and must each include the same instructions for use, *see* 21 C.F.R. § 314.94(a)(8)(iv), these suits will inevitably raise the same or very similar issues. Likewise, in the brief history of the BPCIA, there have already been lawsuits between

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[8] There have been ANDA suits involving up to twenty defendants. *See, e.g.*, *UCB, Inc.* v. *Accord Healthcare, Inc.*, No. 13-1206-LPS, 2016 WL 4376346 (D. Del. Aug. 12, 2016). Suits involving four or five defendants are not uncommon. *See, e.g.*, *In re OxyContin Antirust Litig.*, 994 F. Supp. 2d 367 (S.D.N.Y. 2014), *aff'd sub nom. Purdue Pharma LP* v. *Epic Pharma LLC*, 811 F.3d 1345 (Fed. Cir. 2016) (ANDA trial involving five defendants).

Amgen and each of Apotex and Sandoz about each of filgrastim and peg-filgrastim. Congress's decision to allow an innovator to sue multiple generic or biosimilar manufacturers in the same suit thus recognizes that there are significant benefits and efficiencies in having the issues raised by these cases decided by a single judge—benefits and efficiencies that likely could not be achieved through multidistrict litigation under 28 U.S.C. § 1407, as that statute provides for pretrial consolidation or coordination only.

As the Court considers the role of venue in patent cases, it should consider Congress's express invitation to join in one action multiple generic drug manufacturer and biosimilar applicants. As Respondent notes in its brief, Resp. Br. at 51–52, Petitioner's approach to venue may make it difficult to sue multiple defendants in the same forum. Should Petitioner's interpretation of 28 U.S.C. §§ 1391 and 1400(b) be adopted, the number of ANDA and BPCIA trials would likely multiply, with multiple district courts separately litigating the same or similar issues, placing a burden on the courts and the parties, frustrating the statutory purposes, and potentially delaying resolution of these litigations.

CONCLUSION

For the reasons set forth herein, Genentech respectfully requests that the Court affirm the judgment of the Federal Circuit. If patent venue reform is to occur, Congress should implement that reform.

Respectfully submitted,

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TC HEARTLAND LLC,

Petitioner,

v.

KRAFT FOODS GROUP BRANDS LLC,

Respondent.

On Writ of Certiorari
To The United States Court of Appeals
For The Federal Circuit

BRIEF OF GENERAL ELECTRIC COMPANY AS *AMICUS CURIAE* SUPPORTING NEITHER PARTY

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INTEREST OF *AMICUS CURIAE*

General Electric Company is one of the most experienced and successful innovators in the United States.[1] Founded when the Edison General Electric Company merged with other electric companies in 1892, GE is the only original component of the Dow Jones Industrial Average still included in that index today. Each year, GE spends billions of dollars on research and development. It employs hundreds of thousands of individuals to develop, produce, and market its innovative products worldwide. To protect its innovations, GE holds thousands of U.S. patents and files for thousands of additional patents each year.

GE participates in patent litigation in a wide variety of roles: as a plaintiff and as a defendant; as a patent holder and as an accused infringer; and as a practicing entity and as a non-practicing entity. As a result, GE has a strong interest in the correct and balanced interpretation of 28 U.S.C. § 1400(b), which establishes special venue rules for patent infringement cases. In GE's view, the Federal Circuit's current interpretation of that provision is incorrect and overbroad, and is having a

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[1] Pursuant to Rule 37.6, GE affirms that no counsel for a party authored this brief in whole or in part, and that no person other than *amicus* or its counsel made any monetary contributions intended to fund the preparation or submission of this brief. A letter from Petitioner's counsel consenting to the filing of all timely *amicus* briefs, and written consent from Respondent's counsel to the filing of this brief, have been submitted to the Clerk.

disproportionately negative impact on defendants. GE files this brief to offer its views, as a successful innovator and experienced patent litigant, concerning the appropriate interpretation of this important venue statute.

SUMMARY OF ARGUMENT

1. This Court has held that 28 U.S.C. § 1400(b), the special venue statute that applies to patent infringement cases, is not to be "supplemented" by the general venue statute. *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222, 229 (1957). Despite this holding, the Federal Circuit has held that the term "resides" in Section 1400(b) is defined by the general venue statute. The Federal Circuit's interpretation of Section 1400(b) is incorrect and contrary to this Court's prior decisions. It also is having a significant and unfair impact on defendants accused of patent infringement.

By extending the limits of venue to the extreme constitutional limit of a district court's power to exercise personal jurisdiction over a defendant, the Federal Circuit has allowed patent infringement litigation to become concentrated in a few district courts. Patent holders file a disproportionate number of cases in districts that have adopted rules and procedures tending to favor patent holders. This phenomenon is particularly troubling with respect to the many patent infringement cases filed by non-practicing entities and settled for less than the cost of litigating the case to judgment. In such cases, plaintiffs are attracted by rules and procedures that increase the nuisance value of patent litigation. For

example, (i) courts that take a relatively long time to rule on motions to transfer and motions for summary judgment, and that are unlikely to stay discovery while motions to transfer are pending, (ii) courts that allow relatively wide-ranging discovery on an accelerated schedule, and (iii) courts that are less likely to grant transfer and summary judgment motions increase the nuisance value of patent litigation and impose significant costs on defendants.

2. The Federal Circuit's interpretation of Section 1400(b) is inconsistent with the statutory language and with this Court's prior decisions interpreting that language. Section 1400(b) refers to "the" judicial district where the defendant "resides," indicating there is only one such district. Moreover, the Federal Circuit's in erpretation of "resides" turns the second clause of Section 1400(b) into surplusage as applied to corporate defendants. Indeed, the Federal Circuit's interpretation effectively repeals Section 1400(b) in its entirety as applied to corporations, by eliminating *all* statutory restrictions on venue and leaving only constitutional restrictions on personal jurisdiction that would apply even in the absence of a statute. In addition, a closely-related statutory provision governing service of process in patent cases defines "resident" in a way that is different from, and much narrower than, the Federal Circuit's interpretation of "resides" in Section 1400(b).

This Court has already held that the term "resides" in Section 1400(b) refers to a corporate defendant's place of incorporation, and that Section 1400(b) is not supplemented by the general venue

statute. *Fourco*, 353 U.S. at 226, 229. A 1988 amendment to the general venue provisions did not express a clear and manifest legislative intent to alter the meaning of Section 1400(b). In any event, Congress amended the general venue provisions again in 2011 so they now closely track the language in effect when the Court decided *Fourco*.

3. The Court should reaffirm that the term "resides" in Section 1400(b) refers to a corporate defendant's place of incorporation. If the defendant's principal place of business differs from its place of incorporation, the second clause of Section 1400(b) often will permit a plaintiff to sue in the defendant's principal place of business. When a plaintiff seeks to establish venue based on allegations that the defendant has a regular and established place of business in the district and committed acts of infringement there, it should be required to allege a connection between the place of business and the acts of infringement.

ARGUMENT

I. The Federal Circuit's Incorrect Interpretation Of Section 1400(b) Is Having An Unfair Impact On Defendants Accused Of Patent Infringement.

Section 1400(b) of Title 28, U.S. Code, provides that a "civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business." This Court has twice held that this special venue statute "is the sole and exclusive

provision controlling venue in patent infringement actions," and is not "supplemented" by the general venue statute, currently codified at 28 U.S.C. § 1391(c). *Fourco*, 353 U.S. at 229; *Stonite Prods. Co. v. Melvin Lloyd Co.*, 315 U.S. 561, 563 (1942).

Despite this Court's clear rulings, the Federal Circuit nevertheless has held that the term "resides" in Section 1400(b) is defined by Section 1391(c). *See VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1579-80 (Fed. Cir. 1990). Section 1391, unlike Section 1400(b), does not specifically address venue in patent infringement cases. Instead, it is a general venue statute that states "[e]xcept as otherwise provided by law," 28 U.S.C. § 1391(a), a defendant corporation is "deemed to reside . . . in any judicial district in which such defendant is subject to the court's personal jurisdiction with respect to the civil action in question," *id.* § 1391(c)(2). The Federal Circuit's interpretation of Section 1400(b) permits patent holders to file patent litigation in any district court in the country, subject only to the constitutional limits on a district court's ability to exercise personal jurisdiction over the accused infringer. The Federal Circuit's expansive approach to personal jurisdiction, *see Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558, 1565-69 (Fed. Cir. 1994), has further stretched the boundaries of permissible venue in patent cases.

For the reasons explained in Petitioner's Opening Brief and in Part II of this brief, the Federal Circuit's interpretation of Section 1400(b) is plainly incorrect. In addition to being wrong, the Federal Circuit's interpretation is having a significant, and

disproportionately negative, impact on accused infringers. As a result of the Federal Circuit's wide-open interpretation of Section 1400(b), patent holders are able to file a very large percentage of patent cases in only a few district courts. In 2015, for example, more than half of all such cases were filed in just two districts: the Eastern District of Texas (43.6%) and the District of Delaware (9.4%). *See* Brian J. Love & James Yoon, *Predictably Expensive: A Critical Look at Patent Litigation in the Eastern District of Texas*, 20 Stan. Tech. L. Rev. 1, 8 (2017).[2] This heavy concentration of patent cases in just two districts undermines Congress's decision to de-centralize patent litigation at the district court level while centralizing patent appeals at the Federal Circuit. *See* S. Rep. No. 97-275 (1981), *as reprinted in* 1982 U.S.C.C.A.N. 11, 15.

The problems created by the Federal Circuit's interpretation of Section 1400(b) go beyond mere concentration. Patent holders alleging infringement file a disproportionate number of patent cases in districts that have adopted rules and procedures that tend to favor patent holders.

- The Eastern District of Texas, for example, takes a relatively long time to rule on motions to transfer a patent case to another district, as well as on motions for summary judgment. *See* Love & Yoon, *supra*, at 16-18 (reporting that the

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[2] Similarly, in 2014 those two districts accounted for almost half of all patent filings (28.1% and 18.6%, respectively). *See* Love & Yoon, *supra*, at 8.

Eastern District took over 100 days longer than the average district to grant motions to transfer and motions for summary judgment).

- The Eastern District is also somewhat less likely to grant transfer and summary judgment motions filed by accused infringers. *See id.* at 17 (transfer granted in about 47% of cases, compared to 53% in other district courts); *id.* at 18 (summary judgment in favor of accused infringers granted about 18% of the time, compared to 34% in other district courts). The lower success rate of summary judgment motions leads to more patent cases going to trial, and when cases go to trial in the Eastern District, juries are somewhat more likely to side with patent holders. *Id.* at 18-19.

- A defendant is unlikely to be able to stay discovery until the Eastern District rules on a motion to dismiss or motion to transfer. *See* E.D. Tex. R. CV-26(a) ("Absent court order to the contrary, a party is not excused from responding to discovery because there are pending motions to dismiss, to remand, or to change venue."). Indeed, discovery will often be *completed* by the time that court decides that venue is improper. *See* Love & Yoon, *supra*, at 16-17, 22 (in the Eastern District of Texas, document production must be finished within ten months and transfer motions typically take close to a year to decide).

- Discovery is typically wide-ranging. A standard discovery order used in many cases requires parties to produce documents "relevant to the pleaded claims or defenses" in the action. *See*

Sample Discovery Order for Patent Cases Assigned to Judge Rodney Gilstrap and Judge Roy Payne (Nov. 4, 2016), *available at* http://www.txed.uscourts.gov/page1.shtml?location=info:judge&judge=17. This rule "obviate[s] the need for requests for production" usually required by the Federal Rules of Civil Procedure. *Id.* Discovery timelines in the Eastern District of Texas also are somewhat shorter than in other districts. *See* Daniel Klerman & Greg Reilly, *Forum Selling*, 89 S. Cal. L. Rev. 241, 265-66 (2016).

The adverse impact of these practices and procedures on defendants is greatest in cases brought by non-practicing entities who are willing to settle their claims for less than the nuisance value of litigation (i.e., the cost of litigating the case through summary judgment). *See* Federal Trade Commission, *Patent Assertion Entity Activity: An FTC Study* (Oct. 2016), *available at* https://www.ftc.gov/reports/patent-assertion-entity-activity-ftc-study. In such cases, the patent holders' settlement practices indicate that "discovery costs, and not the technological value of the patent, may set the benchmark for settlement value." *Id.* at 10. By adopting rules and procedures that increase the nuisance value of patent litigation, courts impose significant costs on productive businesses without advancing the purposes of the patent laws. *See id.* at 9 ("Nuisance infringement litigation . . . can tax judicial resources and divert attention away from productive business behavior."); Love & Yoon, *supra*, at 23-24 ("[B]y virtue of being sued in the Eastern District, an accused infringer will be forced to incur

large discovery costs, regardless of the case's connection to East Texas or the merits of its noninfringement contentions.").[3]

Motions to transfer and petitions for mandamus to the Federal Circuit are, at best, a partial and unsatisfactory solution to these problems. By taking longer to rule on a motion to transfer while requiring the parties to proceed with discovery, a district court can significantly increase the cost of nuisance litigation even if the transfer motion is ultimately granted. Moreover, transfer motions are often denied, and mandamus petitions to the Federal Circuit are a cumbersome, expensive, and unreliable mechanism for dealing with the situation.[4]

The language of Section 1400(b), as well as this Court's decisions, require a more balanced approach to venue in patent infringement cases. Such a

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[3] Commentators have debated whether the adverse effects described above result from "forum selling" by courts or simply from variations in the district courts' workloads and approaches to discovery rules and schedules. *See* Klerman & Reilly, *supra*, at 265-80; Xuan-Thao Nguyen, *Justice Scalia's "Renegade Jurisdiction": Lessons for Patent Law Reform*, 83 Tul. L. Rev. 111, 136–43 (2008). Whatever the source of the disparities, the Federal Circuit's interpretation of Section 1400(b) has allowed an undue concentration of patent cases in a few district courts, and is unfairly harming defendants sued by non-practicing entities seeking "nuisance" settlements.

[4] GE takes no position on whether mandamus is appropriate in this case, and therefore is filing this brief in support of neither party.

balanced approach will address all of the issues described above by limiting the number of cases in which patent-holders can select a district court with only a minimal connection to the parties and the dispute.

II. The Federal Circuit's Interpretation Of Section 1400(b) Is Inconsistent With The Statutory Language And This Court's Prior Decisions.

The Federal Circuit's interpretation of Section 1400(b) is not consistent with the statutory language. Congress referred to "the" judicial district where the defendant "resides," indicating that there is only one such district. This was clearly the case, for corporate defendants as well as individual defendants, at the time Congress enacted Section 1400(b). *See Shaw v. Quincy Mining Co.*, 145 U.S. 444, 449 (1892); *Fourco*, 353 U.S. at 226 (citing *Shaw*). Moreover, if the term "resides" can be interpreted to mean "any judicial district in which [the] defendant is subject to the court's personal jurisdiction with respect to the civil action in question," 28 U.S.C. § 1391(c)(2), then the patent holders' choice of venue extends well beyond districts "where the defendant has committed acts of infringement and has a regular and established place of business," *id.* § 1400(b). Indeed, the Federal Circuit's interpretation of "resides" turns the second clause of Section 1400(b) into surplusage as applied to corporate defendants, because a corporation that has a regular and established place of business in a district, and is alleged to have committed acts of infringement there, is subject to the court's personal

jurisdiction and therefore meets the Federal Circuit's definition of "resides." The Federal Circuit's interpretation actually goes even further. By interpreting the term "resides" to extend to the constitutional limits of personal jurisdiction, the Federal Circuit has eliminated *any* non-constitutional limitation on the plaintiff's choice of forum. As a practical matter, the Federal Circuit has repealed Section 1400(b) in its entirety as applied to corporations. This result is inconsistent with Congress's intent to limit venue in patent cases. *See Pure Oil Co. v. Suarez*, 384 U.S. 202, 207 (1966).

A statutory provision governing service of process in patent cases, 28 U.S.C. § 1694, casts additional doubt on the Federal Circuit's interpretation of Section 1400(b). Congress enacted both provisions at the same time in a single statute, and thus the two provisions must be interpreted *in pari materia*. *See generally Erlenbaugh v. United States*, 409 U.S. 239, 243-44 (1972). Section 1694 refers to a district in which "the defendant is not a resident but has a regular and established place of business." A "resident" clearly is a person who "resides" in the district. Moreover, Section 1694 is not a venue statute and thus is not subject to the general venue provisions in Section 1391. The Federal Circuit's interpretation of Section 1400(b) thus gives the term "resides" in Section 1400(b) a different, and much broader, meaning, than the term "resident" in Section 1694. This is contrary to the principle of statutory construction that a term used in different provisions of a statute generally is given the same meaning. *See Mohasco Corp. v. Silver*, 447 U.S. 807, 826 (1980).

This Court has interpreted Section 1400(b) in previous cases, yet the Federal Circuit's interpretation marks a sharp and unjustified departure from this Court's construction. In *Fourco*, this Court held that the term "resides" in section 1400(b) is defined, for a corporation, as the place of incorporation, and does not include Section 1391(c)'s residence provisions. *See* 353 U.S. at 226. In *Pure Oil*, the Court explained that in interpreting Section 1400(b) it was "merely following the purpose and letter of the original enactment," which was to "narrow venue" in patent cases. 384 U.S. at 207.[5] And in *Brunette Machine Works, Ltd. v. Kockum Industries, Inc.*, 406 U.S. 706 (1972), the Court reiterated its consistent view that Section 1400(b) is independent of Section 1391(c). *See id.* at 713 ("Congress placed patent infringement cases in a class by themselves, outside the scope of general venue legislation.").

Decisions such as *Fourco* that interpret the meaning of statutory language "effectively become part of the statutory scheme." *Kimble v. Marvel Entm't, LLC*, 135 S. Ct. 2401, 2409 (2015). Absent "a

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[5] *Pure Oil* does not support the Federal Circuit's interpretation. In that case, the Court held that the Jones Act's venue provision incorporated Section 1391(c)'s definition of corporate residence. The Court explained that the Jones Act's venue provision, unlike Section 1400(b), was not intended to narrow venue. *See Pure Oil*, 384 U.S. at 207 ("The patent infringement venue statute was enacted in 1897, 29 Stat. 695, specifically to narrow venue in such suits.").

clear and manifest" expression of Congress's intent to amend section 1400(b), *Fourco*'s interpretation is the law. *Nat'l Ass'n of Home Builders v. Defs. of Wildlife*, 551 U.S. 644, 662, 664 n.8 (2007) (citation omitted).

Contrary to the Federal Circuit's stated view, *VE Holding Corp.*, 917 F.2d at 1579-80, the 1988 amendment to Section 1391(c) did not amount to a "clear and manifest" expression of Congress's intent to alter the meaning of Section 1400(b). That 1988 amendment added the phrase "[f]or purposes of venue under this chapter" to Section 1391(c). Although Sections 1391(c) and 1400(b) are in the same chapter, Section 1400(b) "specifically deal[s] with[ ]" a corporation's residence for venue purposes in patent infringement cases, and therefore "the general language of [Section 1391(c)] . . . will not be held to apply." *Fourco*, 353 U.S. at 228-29 (citations omitted). The result would be no different if Congress had added a provision to Section 1400(b) defining "resides" for a corporation as "the place of incorporation." In that situation, "ordinary rules of statutory construction would prefer the specific definition over the . . . general one." *Rowland v. Cal. Men's Colony, Unit II Men's Advisory Council*, 506 U.S. 194, 200 (1993). The fact that the definition of "resides" in Section 1400(b) rests in part on this Court's decisions interpreting that provision does not alter the conclusion that Section 1400(b) is more specific than, and thus unaffected by, Section 1391(c).

In 2011, moreover, Congress again amended Section 1400(b), so that its language now closely

tracks the statutory language in effect when the Court decided *Fourco*. *Compare* 28 U.S.C. § 1391(c) (1952) (stating that Section 1391(c) applies "for venue purposes"), *with* 28 U.S.C. § 1391(c) (2012) (stating that Section 1391(c) applies "[f]or all venue purposes"). Congress's enactment in 2011 of language that closely parallels the pre-1988 provision, without expressing any disapproval of this Court's interpretation in *Fourco*, lends further support to the conclusion that the Court's longstanding interpretation of Section 1400(b) remains valid.

III. Adhering To The Language Of Section 1400(b) And To This Court's Decisions Interpreting That Language Will Alleviate The Harm Caused By The Federal Circuit's Interpretation.

For the reasons explained above, the Federal Circuit's interpretation of the term "resides" in Section 1400(b) is contrary to both the statutory language and this Court's prior decisions. It is also unfair to accused infringers, particularly those sued by non-practicing entities seeking to settle for less than the nuisance value of the litigation. Accordingly, the Court should reaffirm its holding in *Fourco* that the scope of Section 1400(b) is not "supplemented" by the general venue statute, and that the term "resides" in Section 1400(b) refers to the place of incorporation of corporate defendants.

If the location of a corporate defendant's principal place of business is different from its place of incorporation, the principal place of business

frequently will be a permissible venue under the second clause of Section 1400(b). A defendant's principal place of business is "a regular and established place of business" within the meaning of the second clause of Section 1400(b). *See* Chisum on Patents § 21.02 (Lexis 2017) ("Generally, any physical location at which business is conducted will suffice" as a "regular and established place of business."). From the defendant's perspective, its principal place of business is unlikely to be an inconvenient venue. In addition, allowing patent infringement suits to be filed in the alleged infringer's principal place of business helps to prevent an undue concentration of suits in the District of Delaware, where many corporations are incorporated. *See* Jeanne C. Fromer, *Patentography*, 85 N.Y.U. L. Rev. 1444, 1492 (2010) (noting that many corporations are incorporated in Delaware, but few have their principal place of business there).

Section 1400(b) further provides that a plaintiff seeking to establish venue based on "a regular and established place of business" must allege that "the defendant has committed acts of infringement" in the district. 28 U.S.C. § 1400(b). If the place of business at issue is the defendant's *principal* place of business, it will often be possible for the plaintiff to allege that acts of infringement were committed in the district.

Consideration of the second clause of Section 1400(b) provides additional context for the decision of this case. When a plaintiff seeks to establish venue in a patent case based on allegations that the defendant has a "regular and established place of

business" in the district and has committed acts of infringement there, the plaintiff should be required to allege a connection between the acts of infringement and the place of business. Courts have recognized this principle in cases involving a corporate defendant and its separately-incorporated subsidiary. In such cases, the second clause of Section 1400(b) is not satisfied merely because a subsidiary of the corporation has a regular and established place of business in the district and the parent is alleged to have committed acts of infringement in the district. *See L. D. Schreiber Cheese Co. v. Clearfield Cheese Co.*, 495 F. Supp. 313, 318 (W.D. Pa. 1980); Chisum on Patents § 21.02 (Lexis 2017) ("A defendant corporation does not have a regular and established place of business in a district merely because a subsidiary has such a place.").[6] Similar considerations apply when large corporations such as GE engage in multiple lines of business through separate business groups. *See* www.ge.com (last visited Feb. 6, 2017) (listing, among others, aviation, digital, healthcare, lighting, and oil & gas). The fact that GE has established a place of business for its healthcare business in a district, for example, should not result in GE being subject to suit in that district regarding a patent that its aviation group is alleged to have infringed.

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[6] Courts have had little occasion to consider the limits of the second clause of Section 1400(b) in recent years, since a large majority of patent infringement cases involve corporate defendants and the Federal Circuit's broad interpretation of Section 1400(b) renders its second clause superfluous for corporations.

Instead, there should be a connection between the defendant's place of business and the alleged acts of infringement. *See In re Cordis Corp.*, 769 F.2d 733, 737 (Fed. Cir. 1985) (observing, in discussion of a venue case, that there was "no evidence" that promotional seminars conducted in the district by a defendant's sales representative "were carried on concerning the specific product which was the subject of the infringement action"); *Scaramucci v. FMC Corp.*, 258 F. Supp. 598, 602 (W.D. Okla. 1966) (second clause of Section 1400(b) not satisfied by allegation that a division of the corporate defendant with no connection to the alleged infringement had a place of business in the district). *But see Gaddis v. Calgon Corp.*, 449 F.2d 1318 (5th Cir. 1971) (disagreeing with *Scaramucci*). Although the Court need not interpret the second clause of Section 1400(b) in this case, its language informs the meaning of the term "resides" in the first clause of that statute, and provides further support for a balanced interpretation of the special venue statute for patent infringement actions. Both clauses of Section 1400(b) work together to achieve that balanced approach, and each clause informs the other.

CONCLUSION

The Court should reject the Federal Circuit's overbroad interpretation of 28 U.S.C. § 1400(b) and adopt a balanced approach to venue in patent cases

that is consistent with the statutory language and this Court's prior decisions.

Respectfully submitted,

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IN THE

Supreme Court of the United States

TC HEARTLAND, LLC D/B/A
HEARTLAND FOOD PRODUCTS GROUP,

Petitioner,

v.

KRAFT FOODS GROUP BRANDS LLC,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES
COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF *AMICUS CURIAE* OF THE GENERIC PHARMACEUTICAL ASSOCIATION IN SUPPORT OF PETITIONER

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INTEREST OF *AMICUS CURIAE*[1]

Amicus curiae the Generic Pharmaceutical Association ("GPhA") is a non-profit, voluntary association comprising nearly 100 manufacturers and distributors in the generic pharmaceutical industry, which manufactures over 88 percent of the prescription drugs dispensed in the United States each year. GPhA's members provide American patients with safe and cost-effective medicines that are bioequivalent to, and have the same safety, efficacy, and therapeutic benefit as, their brand-name counterparts. These products significantly improve public health while cutting annual healthcare costs by billions of dollars.

GPhA's core purpose is to improve the lives of patients by providing timely access to affordable pharmaceuticals. Toward this end, GPhA advances the interests of its members through initiatives in the scientific, regulatory, federal and state forums and in the public affairs arena. GPhA also regularly participates as amicus curiae in cases before the Federal Circuit and the Supreme Court.

Other amici have noted that the Federal Circuit's misinterpretation of 35 U.S.C. §§ 1331 and 1400(b) has caused an overconcentration of lawsuits in the Eastern District of Texas. GPhA writes to highlight two

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1. No counsel for a party authored this brief in whole or in part, and no such counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than the amicus curiae, or its counsel, made a monetary contribution to its preparation or submission. The parties have consented to the filing of this brief, either by express written consent or by filing a letter documenting consent with the Court.

different issues. First, the Federal Circuit's expansive interpretation of the venue statutes creates inconsistency with a similar venue provision found in the Hatch-Waxman Act concerning venue for declaratory judgment actions raising patent issues filed by generic drug companies. Second, the Federal Circuit's statutory misinterpretation has resulted in adverse consequences in the context of patent suits arising under the Hatch-Waxman Act. Because the Federal Circuit previously held that generic drug applicants are subject to personal jurisdiction virtually nationwide based on the filing of an application with the FDA, the Federal Circuit's misinterpretation of the venue statutes allows patent holders to hand-pick their preferred forum. Unsurprisingly, that unconstrained choice has led to the overconcentration of such cases in two district courts that are favored by pharmaceutical patent holders.

GPhA has a direct interest in preserving the Hatch-Waxman Act's careful balance between patent rights and the public's need for low-cost generic drugs, which is skewed by the decision below. GPhA often has members who have varied interests in such matters. However, the association has a vested interest in a predictable and consistent system for litigants engaged in Hatch-Waxman Act litigation.

SUMMARY OF THE ARGUMENT

For reasons Petitioners have explained, the decision below misconstrues the venue statutes and must be reversed. GPhA fully endorses the statutory analysis in Petitioner's brief.

In addition, the Federal Circuit's expansion of venue in patent cases by importing Section 1391 into Section 1400(b) is at odds with Congress's decision to *limit* venue for patent cases brought under the Hatch-Waxman Act. Specifically, Congress limited venue in declaratory judgment actions brought by generic drug applicants under the Hatch-Waxman Act, mirroring the limitations imposed on patent infringement cases under Section 1400(b). The Federal Circuit's misinterpretation of Section 1391 erases that limitation in actions brought by patent holders—but not the limitation imposed on those challenging a patent in a declaratory judgment action—creating a significant statutory asymmetry.

The practical consequence of the decision below is clear and harsh: It delays the public's access to low cost generic drugs. In combination with the Federal Circuit's jurisdictional decision in *Acorda Therapeutics Inc. v. Mylan Pharms. Inc.*, 817 F.3d 755 (Fed. Cir. 2016), *cert. denied*, No. 16-360, 2017 WL 69716 (U.S. Jan. 9, 2017), it effectively subjects every generic drug applicant to nationwide jurisdiction in litigation brought by patent holders under the Hatch-Waxman Act, regardless of whether the generic drug company has any connection to the forum selected by the patent holder. This has caused an undue concentration of such cases in the two small home districts favored by branded drug companies, the Districts of Delaware and New Jersey, where 73 percent of all such suits are now filed. This in turn has resulted in crowded dockets and delayed trials, directly contrary to Congress's intent to "speed the introduction of low-cost generic drugs to market." *Caraco Pharm. Labs., Ltd. v. Novo Nordisk A/S*, 566 U.S. 399, 405 (2012).

The consequences of concentrating most Hatch-Waxman cases in two courts go beyond delay from overcrowded dockets. Pharmaceutical patent cases raise issues of claim interpretation, infringement, and invalidity that do not arise in other patent cases. Leaving most pharmaceutical patent cases to judges in two districts, whose decisions are then appealed to a single national appellate court, deprives patent law of the diversity of approaches needed to advance the law. *Cf. Amdocs (Isr.) Ltd. v. Openet Telecom, Inc.* 841 F.3d 1288, 1294 (Fed. Cir. 2016) (analogizing the development of patent law doctrines to "the classic common law methodology for creating law") (citing Karl N. Llewellyn, *The Common Law Tradition: Deciding Appeals* (1960)). And the ability of brand manufacturers to select their preferred forums undermines the venue statutes' goal of promoting a level playing field.

ARGUMENT

I. The Federal Circuit's Decision Is Contrary to the Court's Decisions in *Stonite Products Co. v. Melvin Lloyd Co.* and *Fourco Glass Co. v. Transmirra Products Corp.*

This case is the third time this Court has been called on to answer the same question: whether the express terms of the patent venue statute is the exclusive source of venue for patent infringement suits. This Court should reaffirm its previous decisions and answer this question in the affirmative.

As the Court previously explained, "Congress adopted the predecessor to § 1400(b) as a special venue statute

in patent infringement actions to eliminate the 'abuses engendered' by previous venue provisions allowing such suits to be brought in any district in which the defendant could be served." *Schnell v. Peter Eckrich & Sons, Inc.*, 365 U.S. 260, 262 (1961) (quoting *Stonite Prods. Co. v. Melvin Lloyd Co.*, 315 U.S. 561, 563 (1942)). Thus, Congress determined to limit venue in patent actions to those where defendants were "at home" by reason of incorporation or commercial establishments, and to do so, "define[d] the exact jurisdiction of the . . . courts in these matters," which does not "dovetail with the general (venue) provisions." *Id.* (internal quotation marks and citations omitted). Recognizing this Congressional intent, the Court held in *Fourco Glass Co. v. Transmirra Products Corp.* that § 1400(b) was "not to be supplemented by the provisions of 28 U.S.C. § 1391(c)." 353 U.S. 222, 229 (1957).

Because Congress has not substantively amended § 1400(b), the Federal Circuit's decision to "enlarge upon the mandate of the Congress as to venue in such patent actions" in disregard of this Court's teaching in *Fourco* is an unjustified "intrusion into the legislative field." *Schnell*, 365 U.S. at 263.

The petitioner has fully explained in its opening brief why the decision under review wrongfully attributes substantive significance to technical changes in 28 U.S.C. § 1391. As explained below, Petitioner's argument is further strengthened by Congress's enactment of legislation under the Hatch-Waxman statutory regime to permit ANDA applicants to bring declaratory judgment actions against drug patent holders seeking to establish non-infringement or invalidity. There, Congress expressly limited venue to judicial districts where the patent holder "has its principal

place of business or a regular and established place of business." 21 U.S.C. §§ 355 (c)(3)(D)(i)(II); (j)(5)(C)(i)(II). This attempt to create venue equality between generic drug applicants and patent holders mirrors the venue limitation of § 1400(b) confirmed in *Stonite* and *Fourco*.

For these reasons, the decision below should be reversed.

II. The Federal Circuit's Expansive Interpretation of the Patent Venue Statute Is At Odds With Congress's Restriction of Venue In the Hatch-Waxman Act.

The Hatch-Waxman Act was designed by Congress "to speed the introduction of low-cost generic drugs to market." *Caraco Pharm. Labs.*, 566 U.S. at 405. To achieve this goal, the Act authorized generic companies to file a less expensive Abbreviated New Drug Application ("ANDA"), eliminating the need to repeat safety and efficacy studies. *See Eli Lilly & Co. v. Medtronic, Inc.*, 496 U.S. 661, 676 (1990) (citing 21 U.S.C. § 355). This abbreviated pathway created the modern generic drug industry. *See id.* The Hatch-Waxman Act also provides a mechanism for branded and generic pharmaceutical companies to timely litigate disputes relating to patent infringement, validity, and enforceability. *See id.* Under the Act, ANDA filers may be sued for patent infringement based on the "highly artificial act of infringement" of "submitting" an ANDA with a certification that the ANDA does not infringe the branded company's listed patents. *Id.* at 678;[2] *see also* 35 U.S.C. § 271(e)(2).

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2. As the Court explained in *Lilly*, "an act of infringement had to be created for these ANDA . . . proceedings. That is what

If the patent owner does not timely sue the ANDA applicant, the applicant may file a declaratory judgment action against the patent holder in "the judicial district where the [patent owner] has its principal place of business or a regular and established place of business."[3] 21 U.S.C. §§ 355 (c)(3)(D)(i)(II); (j)(5)(C)(i)(II). This mirrors the limited venue language of 1400(b), creating a logical symmetry between the venues where the ANDA applicant can be sued for infringement and the venues where the patent owner can be sued to resolve issues relating to an ANDA application.

The decision below upsets this careful balance. Now, generic companies are subject to nationwide lawsuits whereas patent owners may only be sued where they are "at home." *Cf. Daimler AG v. Bauman*, 134 S. Ct. 746, 754 (2014). This incongruous result underscores the error in the Federal Circuit's conclusion that Section 1391 effectively displaced the limited venue for patent cases under 1400(b), contrary to the Court's longstanding precedents.

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is achieved by § 271(e)(2)—the creation of a highly artificial act of infringement that consists of submitting an ANDA . . . containing the fourth type of certification that is in error as to whether commercial manufacture, use, or sale of the new drug (none of which, of course, has actually occurred) violates the relevant patent." *Eli Lilly & Co.*, 496 U.S. at 678.

3. If the patent owner does not sue an ANDA applicant within 45 days after receiving notice of the ANDA, the ANDA applicant may file a declaratory judgment action against the patent owner to obtain patent certainty. *See* 21 U.S.C. §§ 355 (c)(3)(D); (j)(5)(C).

III. The Federal Circuit's Decision Has Caused an Undue and Unhealthy Concentration of ANDA Patent Cases in Two District Courts.

The generic drug industry is vitally important to the nation's healthcare system and its economy. In 2014, 3.8 billion prescriptions were filled in the United States with generic drugs, accounting for 88 percent of all prescriptions filled. *See* GPhA Report, Generic Drug Savings in the U.S. at 1 (2015).[4] And over the last 10 years, generic drugs have been responsible for $1.68 trillion in healthcare system savings, including $76.1 billion in savings for the United States Government's Medicare program in 2014 alone. *Id.* at 1, 5-6. The decision below profoundly burdens this vital industry.

A. ANDA patent cases are particularly complex and resource intensive.

Cases brought under the Hatch-Waxman Act are not like other patent cases. Typically, an action for patent infringement may only be filed against a party who "without authority makes, uses, offers to sell, or sells . . . or imports into the United States any patented invention during the term of the patent," or induces or contributes to such actions. 35 U.S.C. § 271(a)-(c). Generic drug cases, however, are typically adjudicated long before the accused infringing product is sold in the United States based on the filing of an ANDA with a patent certification, as explained above.

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4. *Available at* http://www.gphaonline.org/media/wysiwyg/PDF/GPhA_Savings_Report_2015.pdf.

The filing of a patent infringement suit under the Hatch-Waxman Act triggers a 30-month stay of final FDA approval of an ANDA. 21 U.S.C. § 355(j)(5)(B)(iii). If the patent owner prevails in the lawsuit, the FDA may not approve the ANDA until the valid and infringed patents expire, even if all other health and safety requirements for FDA approval are met. If the ANDA holder prevails in litigation, it may launch its product upon FDA approval. If the 30-month stay expires before the completion of litigation, the FDA may approve the ANDA. If approved, the ANDA holder may then launch its generic drug product "at risk," if not preliminarily enjoined from doing so.

Courts and litigants generally prefer to avoid at-risk launches. From the perspective of the district courts, at-risk launches often generate time-sensitive and resource-draining motions for temporary restraining orders and preliminary injunctions. From the perspective of ANDA applicants, a party that launches at risk only to be later found liable for patent infringement may face a crippling damages award.

To avoid such scenarios, district courts often attempt to schedule trial and resolve ANDA cases sufficiently in advance of the expiration of the 30-month stay. While that diligence is commendable, it stretches judicial resources to the maximum. Because lawsuits occur before the sale, marketing, or import of the accused infringing generic drug, monetary damages are not at stake, and thus, most Hatch-Waxman Act cases are bench trials. Most trials are multi-day (if not multi-week) affairs, often involving multiple patents, where the district judge is required to carefully hear and weigh highly technical testimony related to the alleged infringement of sophisticated

pharmaceutical formulations and the alleged obviousness of new chemical structures. Upon completion of trial, in addition to resolving the usual flurry of post-trial motions, the judge must then issue written findings of facts and conclusions of law. Put simply, few cases place greater burden on the federal judiciary than cases brought under the Hatch-Waxman Act.[5]

B. ANDA patent cases should not be concentrated in two jurisdictions.

T.C. Heartland is the latest attempt by the Federal Circuit to expand patent jurisdiction and venue, contrary to this Court's decisions. In *Acorda Therapeutics Inc. v. Mylan Pharmaceuticals Inc.*, 817 F.3d 755, the Federal Circuit held that generic drug companies effectively are subject to nationwide jurisdiction for patent infringement claims based on their filing of an ANDA with the FDA in Maryland seeking approval to market their products. *Acorda* also conflicts with the teachings of this Court. Just three years ago, this Court decided *Daimler AG v. Bauman*, where it described a similar assertion of nationwide jurisdiction as "unacceptably grasping." 134 S. Ct. at 761. Although *Daimler* addressed general jurisdiction, it made crystal clear that subjecting

5. Cases brought under the Hatch-Waxman Act commonly involve multiple unrelated generic drug applicant defendants having discrete defenses, and lengthy findings of fact and conclusions of law are routine. *See, e.g., Avanir Pharms., Inc. v. Actavis S. Atl. LLC*, 36 F. Supp. 3d 475 (D. Del. 2014) (63 pages); *Warner Chilcott Labs. Ireland Ltd. v. Impax Labs., Inc.*, No. 2:08-civ-06304-WJM, 2012 WL 1551709 (D.N.J. Apr. 30, 2012) (67 pages); *In re Omeprazole Patent Litig.*, 490 F. Supp. 2d 381 (S.D.N.Y. 2007) (368 pages).

defendants to nationwide jurisdiction based on nationwide sales does not comport with due process because it does not "permit out-of-state defendants to structure their primary conduct with some minimum assurance as to where that conduct will and will not render them liable to suit." *Id.* at 762 (quotation marks and citation omitted); *see id.* at 750–51 (calling the exercise of jurisdiction in that case "exorbitant" because "the same global reach would presumably be available in every other State in which [defendant's] sales are sizeable.").

In combination, *Acorda* and *T.C. Heartland* expand the reach of both personal jurisdiction and venue far beyond what the Constitution and statutes allow, effectively subjecting generic defendants to suit in any district in the nation based solely on the filing of an application with the FDA seeking approval to make future sales. This is so regardless of whether that defendant has any connection with or presence in the Plaintiffs' chosen forum. The fundamental unfairness caused by the decision below raises serious issues under the Due Process clause of the Fifth Amendment.

The petitioner and several amici make clear that the Federal Circuit's misinterpretation of 28 U.S.C. §§ 1391 and 1400 has caused an undue concentration of patent infringement cases in the Eastern District of Texas. The Federal Circuit's current jurisdictional and venue regime has also caused an undesirable concentration of ANDA patent cases in two district courts. In fact, between 2009 and 2015, 73 percent of all ANDA suits were filed in either the District of Delaware or the District of New Jersey.[6]

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6. Ryan Davis, *Mylan Ruling Cements Del., NJ As Top ANDA Venues*, http://www.law360.com/articles/774236/mylan-

Congress intended the Hatch-Waxman Act to "speed the introduction of low-cost generic drugs to market." *See Caraco Pharm. Labs.*, 566 U.S. at 405. But the concentration of ANDA patent cases in just two district courts creates a potential backlog of these cases. For example, consider Mylan Pharmaceuticals, which is headquartered in the Northern District of West Virginia. Compared to the District of Delaware, Mylan's home district is much less congested and more expeditious to trial:[7]

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ruling-cements-del-nj-as-top-anda-venues (last visited Feb. 4, 2017) (reporting statistics on cases filed between 2009 and 2015) (citing data from Lex Machina); *see also* Brian C. Howard & Jason Maples, Lex Machina, Hatch-Waxman/ANDA Litigation Report 2015, at 3–4 (Apr. 2016).

This figure actually understates the extent of concentration, as patent holders often file duplicative suits in ANDA filers' home districts as protection in the event their chosen court grants a motion to dismiss on jurisdiction or venue. For example, in 2015-16, Mylan was sued 36 out of 42 times on ANDA filings in Delaware and New Jersey. In 24 of those 36 Delaware and New Jersey cases, the patent holder filed a duplicative suit against Mylan in the Northern District of West Virginia.

The decision below, if affirmed, will not put an end to inefficient motions practice over venue in Hatch-Waxman cases. Subject to nationwide venue and jurisdiction, ANDA filers will predictably file venue transfer motions when sued in inconvenient districts. This will divert time and resources from adjudicating the merits of these cases.

7. U.S. District Courts–Nat'l Judicial Caseload Profile - Combined Civil and Criminal Federal Court Management Statistics (Sept. 30, 2016), 12-Month Period Ending September 30, 2016, *also available at* http://www.uscourts.gov/sites/default/files/data_tables/fcms_na_distprofile0930.2016.pdf.

Statistic	District of Delaware	District of New Jersey	Northern District of West Virginia.
Time From Filing to Trial (Civil)	24.5 Months	42.0 Months	17.3 Months[8]
Number of Pending Cases per Judgeship	472	628	298
Number of Filings Weighted by Difficulty per Judgeship[9]	496	494	310
Percentage of Civil Cases Over 3 Years Old	13.1 Percent	6.3 Percent	1.2 Percent

Given Congress's desire for ANDA litigation to speed generics to market, the concentration of ANDA patent cases in congested districts is concerning. Delaware

8. As of September 30, 2015. 2016 data is not available for time to trial in the Northern District of West Virginia.

9. "Weighted filings statistics account for the different amounts of time district judges require to resolve various types of civil and criminal actions." Federal Court Management Statistics, Explanation of Selected Terms, at 1 available at http://www.uscourts.gov/sites/default/files/explanation-of-selected-terms-september-2014_0.pdf

and New Jersey judges should not be disproportionately burdened with these complex ANDA patent cases. Any delay in trial slows the entry of generic drugs into the marketplace. Given the number of generic prescriptions filled each year, even a several month delay in generic market entry results in substantial additional healthcare costs. Restoring the exclusivity of 28 U.S.C. § 1400(b) as the source of venue in patent infringement cases will help correct the undue concentration of ANDA patent cases and advance the public health.

Moreover, there is no efficiency or party convenience reason why the vast majority of ANDA patent cases are filed in New Jersey and Delaware. To the contrary, there are compelling reasons to be skeptical about this concentration. If the Federal Circuit implicitly sought to create specialist ANDA patent courts, it invaded an area of complex balancing that should be left to Congress.[10]

When Congress wants to establish specialized courts, it knows how to do so. *See, e.g.*, 28 U.S.C. § 1491

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10. *See, e.g.*, Administrative Conference of the United States, Recommendation 91-9, at 1 (Dec. 13, 1991), *available at* https://www.acus.gov/sites/default/files/documents/91-9.pdf (recommending against a proposal to create specialized courts for review of all administrative law cases, recognizing that the creation of a specialist court requires "a complex balancing of various factors: the need for uniform law versus the benefits of 'percolation' in the decentralized circuits; the value of expert decision makers versus the broader perspective of generalists; the efficiency of specialization versus the risk of bias that specialization entails."); *see also* Diane P. Wood, *Generalist Judges in A Specialized World*, 50 S.M.U.L. Rev. 1755, 1767 (1997) (arguing that the benefits of generalist judges weigh against further specialization in the federal judiciary).

(conferring jurisdiction on the Court of Federal Claims); 28 U.S.C. § 1581 (conferring jurisdiction on the Court of International Trade); 26 U.S.C. § 7441 (establishing the United States Tax Court). Indeed, Congress has considered the question of specialization in patent law, and determined that specialization should occur only at the intermediate appellate level. *See* 28 U.S.C. § 1295 (conferring exclusive jurisdiction on the Court of Appeals for the Federal Circuit).

But Congress never suggested that trial of Hatch-Waxman Act patent cases should be limited to specialized "ANDA courts." By concentrating ANDA patent litigation at the district court level, the Federal Circuit has stymied the development of case law for the complex legal issues arising in ANDA patent cases. *See* Brief Amicus Curiae of Paul Michel in Supp. of Cert. at 6 ("Because there is a single patent court at the intermediary appellate level, it is critically important to receive a wide range of views from the district courts."); *cf.* Richard A. Posner, The Federal Courts: Challenge and Reform 257 (1996) ("[T]he Supreme Court will not have the benefit of competing judicial answers to choose among when deciding questions within the domain of the specialized court, except when there is a dissenting opinion in that court."). ANDA patent cases raise issues that are common to ANDA cases generally but do not arise in other patent cases. *See, e.g.*, *Perricone v. Medicis Pharm. Corp.*, 432 F.3d 1368, 1376 (Fed. Cir. 2005) (lead compound analysis); *AstraZeneca LP v. Apotex, Inc.*, 633 F.3d 1042, 1059 (Fed. Cir. 2010) (relevance of ANDA labeling to specific intent to induce infringement); *Alcon Research, Ltd. v. Apotex Inc.*, 687 F.3d 1362, 1368–69 (Fed. Cir. 2012) (clinical trials not required to prove obviousness); *Santarus, Inc.*

v. Par Pharm., Inc., 694 F.3d 1344, 1354 (Fed. Cir. 2012) (holding that the "blood serum concentration resulting from administering a [drug] is an inherent property of the formulation, and an obvious formulation cannot become nonobvious simply by administering it to a patient and claiming the resulting serum concentrations."); *Glaxo Grp. Ltd. v. Apotex, Inc.*, 376 F.3d 1339, 1342 (Fed. Cir. 2004) (holding that "the mere filing of an ANDA cannot constitute an act of willful infringement").

If more district courts confront these issues, the Federal Circuit will benefit from competing views. This in turn benefits ANDA filers, patent owners, and by extension, the patient population. The Federal Circuit's erroneous ruling, by contrast, would have the opposite result.

As the Court has explained, "the purpose of statutorily specified venue is to protect the defendant against the risk that a plaintiff will select an unfair or inconvenient place of trial." *Leroy v. Great W. United Corp.*, 443 U.S. 173, 183–84 (1979). Little could be more "unfair" than the Federal Circuit's one-sided venue rule, which allows brand manufacturers to funnel almost all ANDA litigation into their preferred districts. In the Hatch-Waxman Act, Congress attempted to strike a "careful balance" between patent holders and generic drug applicants. *See Janssen Pharmaceutica, N.V. v. Apotex*, 540 F.3d 1353, 1361 (Fed. Cir. 2008). Petitioner's reading of patent venue statutes would restore the balance that Congress intended.

CONCLUSION

For the reasons set forth herein and in the Petition, amicus curiae GPhA respectfully requests that the Court reverse the judgment of the Federal Circuit.

Respectfully submitted,

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RECORD
AND
BRIEF

No. 16-341

IN THE

Supreme Court of the United States

TC HEARTLAND LLC,

Petitioner,

v.

KRAFT FOOD BRANDS GROUP LLC,

Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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INTEREST OF AMICI CURIAE[1]

As two of the world's leading technological innovators, amici curiae Intel Corporation and Dell Inc. share a substantial interest in restoring Congress's intended interpretation of the patent venue statute to promote the fair, efficient, and predictable resolution of infringement suits and curb the abuses caused by overbroad venue.

Silicon Valley-based Intel Corporation is the world's largest semiconductor manufacturer, as well as a leading manufacturer of hardware and software products for networking, telecommunications, cloud computing, and other applications. Intel's chips power a large percentage of the world's computers, from everyday desktops and laptops to the servers that form the backbone of the modern digital economy.

Dell Inc. and EMC Corporation recently merged, creating a new, combined company, referred to hereinafter as Dell. The combined entity, one of the world's largest technology companies, sells a full spectrum of products, software, and services, including personal computers, servers, enterprise storage systems and software, and computer and network security products. Dell also offers strong capabilities in the fastest-

[1] Pursuant to Supreme Court Rule 37.6, counsel for amici curiae state that no counsel for a party authored this brief in whole or in part, and no party or counsel for a party, or any other person other than amici curiae or their counsel, made a monetary contribution intended to fund the preparation or submission of this brief. All parties have consented in writing to the filing of this brief.

growing areas of the industry, including cloud technology and services, software-defined data center, converged infrastructure, platform-as-a-service, managed information technology services, data analytics, mobility, and cybersecurity.

Intel and Dell each own tens of thousands of patents and acquire more all the time; Intel routinely places in the top ten annually in number of patents granted by the U.S. Patent and Trademark Office. Neither Intel nor Dell is a stranger to patent litigation. While both companies have defended their innovations as patent-litigation plaintiffs in the past, over the last fifteen years Intel and Dell's experience—like that of many technology companies—overwhelmingly has been as defendants in suits brought by increasingly sophisticated non-practicing entities seeking return on litigation as a portfolio investment strategy.

Intel is incorporated in Delaware and headquartered in Northern California. Dell is a Delaware corporation headquartered in Round Rock, Texas. Its enterprise storage division, Dell EMC, is headquartered in Hopkinton, Massachusetts, as was its predecessor, EMC Corporation. Both companies have long litigated infringement suits in their home districts. Since the Federal Circuit radically expanded patent venue in 1990, however, both companies have faced a disproportionate number of patent suits in judicial districts with no connection to their allegedly infringing activities beyond the bare fact that they have sold products there.

Intel and Dell distribute their products nationwide. Under the prevailing rule, venue may therefore be had in any of the country's 94 judicial districts. Currently,

the Eastern District of Texas is the forum of choice for patent plaintiffs: in the last two years alone, Intel has been sued there for infringement eleven times and Dell over two dozen times. But at any time, a new district could become favored by so-called "patent trolls" and their counsel, and Intel and Dell could find themselves defending multiple suits in a different corner of the country without any material change in their manufacturing or sales practices. Amici believe that this type of venue shopping is a contemporary form of the "abuses" that Congress intended to stamp out by enacting the patent venue statute. *Schnell* v. *Peter Eckrich & Sons, Inc.*, 365 U.S. 260, 262 (1961).

Amici are supporting petitioner before this Court because they have been convinced by long experience that Congress struck a wise and necessary balance when it enacted 28 U.S.C. 1400(b). Nothing about returning to Congress's reasoned judgment in this regard will hinder innovation or prevent legitimate patent litigation disputes from being adequately heard and resolved.

INTRODUCTION AND SUMMARY OF THE ARGUMENT

This case presents an issue of pressing importance to the sound administration of the nation's patent laws. In particular, this case offers the Court an opportunity to correct the Federal Circuit's erroneous decision in *VE Holding Corp.* v. *Johnson Glass Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990), that patent cases would no longer be governed by the longstanding narrow venue standard that Congress had crafted to account for the particular characteristics of patent

litigation, but would henceforth be governed by generally applicable venue standards. *VE Holding* failed to accord proper respect to this Court's precedents and gave short shrift to vital interpretive principles, like *stare decisis* and the presumption against implied repeals, that ensure stability in our legal system. That decision, which has proven to be the source of great mischief in the field of patent litigation, was wrong when it was made and remains wrong today. Reversing the Federal Circuit will rectify a manifest legal error and promote the sensible policies Congress sought to achieve through the special patent venue statute.

I. Since 1897, Congress has prescribed a specific standard to govern venue in patent cases. Under that standard (currently set forth at 28 U.S.C. 1400(b)), a corporate defendant is subject to suit in its State of incorporation or in any State in which it commits an act of infringement and maintains a regular place of business. As this Court has recognized, the limited venue statute "confers upon defendants in patent cases a privilege in respect of the places in which suits may be maintained against them." *General Elec. Co.* v. *Marvel Rare Metals Co.*, 287 U.S. 430, 434-435 (1932) (*Marvel*).

In *Fourco Glass Co.* v. *Transmirra Products Corp.*, this Court held that Section 1400(b) is "the sole and exclusive provision controlling venue in patent infringement actions." 353 U.S. 222, 229 (1957). In *Fourco*, the Court answered the very question the Federal Circuit faced below: "whether § 1391(c)"—the general venue statute—"supplements § 1400(b), or, in other words, whether the latter is complete, independent, and alone controlling in its sphere." *Id.* at 228.

The Court reaffirmed its earlier holding that Congress did not intend the patent venue statute "to dovetail with the general provisions relating to the venue of civil suits." *Id.* at 225 (quoting *Stonite Prods. Co.* v. *Melvin Lloyd Co.*, 315 U.S. 561, 566 (1942)). Rather, Congress intended from the passage of the first patent venue statute in 1897 to "define the exact limits of venue in patent infringement suits" without reference to any other federal statute. *Stonite*, 315 U.S. at 566.

In its decision in *VE Holding*, which the decision at issue in this case reaffirmed, the Federal Circuit concluded that it was free to disregard this Court's definitive construction of Section 1400(b) based on a 1988 congressional amendment not to Section 1400(b) itself, but to Section 1391(c). In 1988, Congress changed the prefatory language of Section 1391(c) to alter the ambit of the statutory definition of "residenc[y]" from "for venue purposes" to "[f]or purposes of venue under this chapter." *VE Holding*, 917 F.2d at 1578-1579. That change, the Federal Circuit panel thought, sufficed to incorporate the broader default standard for venue over corporate defendants into Section 1400(b)—despite this Court's definitive judgment in *Fourco* that similar language in the earlier version of Section 1391(c) *did not* override the narrower patent-specific venue standard.

There is scant evidence that Congress intended the sweeping change the Federal Circuit ascribed to the 1988 amendment, and considerable evidence it did not. But in any case, Congress repealed the "under this chapter" language in 2011; today, Section 1391(c) uses substantially the same language as existed when the *Fourco* Court construed the statute ("for all venue purposes"). Thus, the very language on which the

Federal Circuit relied to supplant this Court's definitive construction of Section 1400(b) has now been excised from the U.S. Code.

Had the Federal Circuit paid greater heed to principles of stare decisis and the presumption against legislative repeals by implication—principles that maintain stability and predictability in the legal system and preserve the separation of powers—it would not have felt itself at liberty to set aside the *Fourco* Court's definitive construction of Section 1400(b). After *Fourco*, there was no ambiguity about the scope of venue in patent cases. And the evidence of legislative intent that the Federal Circuit relied upon in *VE Holding* to justify its departure from *Fourco* falls far short of the level of clarity needed to assume that Congress impliedly repealed or amended a definitive construction by this Court. To allow the Federal Circuit's erroneous decision to continue to govern patent venue going forward would unacceptably sacrifice the values that these bedrock jurisprudential principles exist to protect.

II. Sound policy reasons support *Fourco*'s definitive construction of the scope of the patent venue statute. Restoring that construction will benefit the patent system generally and the litigation of infringement disputes specifically.

Returning to a narrower venue rule for patent cases will revitalize the federal district courts' diminished capacity to review in detail the Patent and Trademark Office's patentability judgments, which are necessarily cursory in light of the volume of patent applications considered each year. Empirical study confirms that patent litigation has become markedly concentrated in

a few district courts since venue choice was liberalized by *VE Holding*. Studies also show that this concentration is no accident. Following the Federal Circuit's retreat from *Fourco*, the plaintiffs' bar undertook a strategic forum-shopping campaign to consolidate most patent litigation in a small handful of districts. With a single-digit percentage of the country's district judges hearing the majority of the nation's patent cases, the exigencies of docket management have led to truncated pre-trial motion practice, abridged jury trials, and a less meaningful opportunity for defendants to be heard. The result has been to vitiate the district courts' traditional role in ensuring that only worthy patents are afforded the benefit of legal monopoly—and, for defendants, less predictable results and pressure to settle non-meritorious cases outside of court.

Reversing the modern tendency toward venue concentration will have the salutary effect of spreading the volume of patent cases more evenly across the district courts. This would benefit the patent system by rationally locating disputes where specific defendants can reasonably expect to be haled into court, making patent litigation less disruptive to the conduct of normal business. And it would benefit the development of patent law by allowing a more diverse group of judges to hear and decide patent cases.

A narrow venue rule for infringement litigation is also justified by the particular characteristics of patent cases. The patent venue statute reflects the technical and document-intensive nature of patent litigation, as well as the fact that discovery burdens in patent litigation are systematically asymmetrical in favor of plaintiffs, particularly the non-practicing-entity plaintiffs who commonly assert purchased patents with few or

no records regarding the disputed technology's development, commercialization, and licensing, and who typically lack significant business activities or employees. These characteristics of patent cases justify a narrowed venue on grounds of practicality, convenience, and efficiency. Requiring both acts of infringement and a regular and established place of business as preconditions for venue in a particular district makes it more likely that that suit will be brought near where the defendant keeps its (often voluminous) business records and where its (often numerous) fact witnesses are likeliest to live and work.

For all of these reasons, the Federal Circuit should be reversed and this Court's definitive construction of Section 1400(b) should be restored to its rightful place.

ARGUMENT

I. THE COURT'S LONGSTANDING AND CONSISTENT UNDERSTANDING OF THE TEXT AND HISTORY OF THE SPECIAL PATENT VENUE STATUTE SHOULD BE RESTORED

A. This Court Has Correctly Held That the Special Patent Venue Statute Is Independent of the General Venue Statute

Throughout the long history of the patent venue statute, this Court has uniformly held that it is the exclusive provision for determining venue in infringement actions. Amid a series of statutory modifications and responses from this Court that culminated in the decision in *Fourco*, this Court has consistently main-

tained that the patent venue statute is independent of the general venue statute, and prescribes a separate, narrower venue rule for patent cases. This is (and has always been) the correct reading of these provisions.

In 1897, Congress passed a special venue statute for patent litigation as an exception to the then-prevailing general rule that venue was proper "wherever the defendant could be found" and served with process. *Stonite*, 315 U.S. at 563. The new statute provided that patent suits could be brought "in the district of which the defendant is an inhabitant, or in any district in which the defendant * * * shall have committed acts of infringement and have a regular and established place of business." Act of Mar. 3, 1897, ch. 395, 29 Stat. 695. When Congress enacted this language, it was well settled that a corporation was an "inhabitant" only of its state of incorporation. See *Shaw* v. *Quincy Mining Co.*, 145 U.S. 444, 449 (1892).

Fourteen years later, the patent venue statute was reenacted unchanged at Section 48 of the Judicial Code. See Act of Mar. 3, 1911, ch. 231, sec. 48, 36 Stat. 1100. At that time, Sections 51 and 52 of the Judicial Code provided general venue rules for federal cases: Section 51 authorized venue only in the judicial district where the defendant was an "inhabitant," and Section 52 permitted suits against two or more defendants residing in different judicial districts within the same state to be brought in either district. See 28 U.S.C. 112-113 (1940).

In *Stonite*, this Court held that the patent venue statute was the "exclusive provision controlling venue in patent infringement proceedings," and was not supplemented or otherwise affected by the general venue

rules in Section 51 and 52. 315 U.S. at 561-563; see also *id.* at 567 ("Section 48 is wholly independent of Section 51[.]").

Congress recodified Section 48 as Section 1400(b) in 1948. Recodification left the patent venue statute's structure unaltered but substituted the language "where the defendant resides" for "of which the defendant is an inhabitant." *Fourco*, 353 U.S. at 226. Congress simultaneously adopted a revised general venue statute at Section 1391(c) that purported to define a corporation's residence for "venue purposes" as any district where the corporation was licensed to do business or was doing business. The courts of appeals subsequently divided on the question whether Section 1400(b) alone controlled venue in patent infringement cases, or whether the broadened definition of residence in Section 1391(c) was to be read into Section 1400(b). *Id.* at 223-224 & n.3.

In *Fourco*, this Court resolved the disagreement, holding that Section 1400(b) is "the sole and exclusive provision controlling venue in patent infringement actions." 353 U.S. at 229. In so doing, the Court reaffirmed its earlier holding in *Stonite* that Congress did not intend Section 1400(b) "to dovetail with the general provisions relating to the venue of civil suits." *Id.* at 225.

Petitioner T.C. Heartland LLC has set forth in convincing detail the reasons why this Court's interpretation of Section 1400(b) in *Fourco* was sound. See Petitioner Br. 21-31. In addition to the other indicia of statutory meaning, the Court in *Fourco* relied heavily on the canon of statutory construction that "[s]pecific terms prevail over the general in the same or another

statute which otherwise might be controlling." 353 U.S. at 228-229 (quoting *Ginsberg & Sons* v. *Popkin*, 285 U.S. 204, 208 (1932)). The Court observed that "§ 1391(c) is a general corporation venue statute, whereas § 1400(b) is a special venue statute applicable, specifically, to all defendants in a particular type of actions, i.e., patent infringement actions." *Id.* at 228. Applying the canon, *Fourco* held that "'[h]owever inclusive may be the general language of a statute, it 'will not be held to apply to a matter specifically dealt with in another part of the same enactment." 353 U.S. at 228-229 (quoting *Ginsberg & Sons*, 285 U.S. at 208).

In the decades since, this Court has repeatedly approved and applied *Fourco*'s holding. See, *e.g.*, *Brunette Mach. Works, Ltd* v. *Kockum Indus., Inc.*, 406 U.S. 706, 713 (1972) (concluding, following an independent historical review, that "in 1897 Congress placed patent infringement cases in a class by themselves, outside the scope of general venue legislation"); see also *Atlantic Marine Constr. Co.* v. *U.S. Dist. Court for W. Dist. of Tex.*, 134 S. Ct. 568, 577 n.2 (2013); *Schnell*, 365 U.S. at 262.

When the Federal Circuit took up the issue in 1990 in *VE Holding*, it concluded that amendments to Section 1391(c) enacted in 1988 overrode this Court's definitive construction of Section 1400(b) in *Fourco*. 917 F.2d at 1579-1580. In 1988, Congress amended the general venue statute to add the introductory phrase: "For purposes of venue under this chapter * * *." *Id.* at 1579. The *VE Holding* court described this new prefatory text as "exact and classic language of incorporation" that changed the relationship between Section 1391(c) and Section 1400(b). But the Federal Circuit's reasoning is unpersuasive.

The Federal Circuit determined that the amended Section 1391(c) "only operates to define a term in § 1400(b)," and so it did not create the conflict between the general and the specific that was at the core of this Court's holding in *Fourco*. 917 F.2d at 1580. But that was precisely the reasoning of the Second Circuit opinion this Court reversed in *Fourco*. The Second Circuit had held that, following the 1948 amendments to the Judicial Code, Section 1391(c) supplied "the definition of corporate residence" for purposes of patent venue, "just as that definition is properly to be incorporated into other sections of the venue chapter." *Transmirra Prods. Corp.* v. *Fourco Glass Co.*, 233 F.2d 885, 886 (2d Cir. 1956). After scrutinizing the statutory text and the relevant legislative history, this Court in *Fourco* concluded that the statutes could not be harmonized as the Second Circuit—and now the Federal Circuit—read them because Congress had ascribed a specific meaning to "resides" in Section 1400(b) that was narrower than the general definition it adopted in Section 1391(c). In this crucial respect, there simply is no material difference between the statutory provisions this Court definitively construed in *Fourco* and the provisions the Federal Circuit construed in *VE Holding*.

In all events, whatever hypothetical merit the Federal Circuit's approach might have previously held has been extinguished by subsequent congressional enactment. In 2011, Congress amended Section 1391(c) again. It removed the language it added in 1988 (on which the Federal Circuit relied) and replaced it with new language ("for all venue purposes") that mirrors the text of Section 1391(c) that the Court considered in *Fourco* ("for venue purposes").

Section 1400(b) has not been amended.[2] It currently contains the same "resides" language that the Court definitively construed in *Fourco*. Consequently, as is plain from both the text of Section 1400(b) and the legislative history discussed in *Fourco*, Section 1391(c) cannot be read to define "resides" for purposes of the patent venue statute without irresolvable conflict.

Simply put, *Fourco* was correct when it was decided and remains correct today.

B. All Indicia of Statutory Meaning Show That Congress Narrowed Patent Venue in 1897 and Has Never Expressed an Intent to Expand It

This Court has had several occasions to review the legislative history of the patent venue statute. Each time, it has concluded that Congress adopted a special statute for patent cases to narrow venue in infringement cases. *E.g.*, *Pure Oil Co.* v. *Suarez*, 384 U.S. 202, 207 (1966) ("The patent infringement venue statute was enacted in 1897 specifically to narrow venue in such suits.") (citation omitted); *Stonite*, 315 U.S. at 564-565 (explaining that the Act of 1897 was adopted

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[2] Congress has repeatedly considered revising or repealing Section 1400(b) but has never done so. Between 1965 and 1991, the Patent, Trademark and Copyright Section of the American Bar Association proposed no fewer than six resolutions addressing Section 1400(b). In 1975, the Section proposed amending Section 1400(b) to provide that Section 1391(c)'s definition of "residence of a corporation" be used as the definition of "resides" under Section 1400(b)—exactly the change respondents urge that Congress effected *without* amending Section 1400(b). See William Johnson, *The New Rule for Patent Venue for Corporate Defendants: Kansas Was Never Like This*, 11 Pace L. Rev. 667, 686 & n.139 (1991).

to "define the exact jurisdiction of the federal courts in actions to enforce patent rights" in light of "abuses engendered by [the] extensive venue" law of the Judiciary Act of 1789). *Fourco* endorsed this consistent reading of the patent venue statute. It explained that the Court in *Stonite* "review[ed] the history of, and reasons and purposes for, the adoption by Congress of the venue statute applying specifically to patent infringement suits," and it declared that this history was "ground wholly unnecessary to replow here." 353 U.S. 225. At no point since has this Court questioned that the intent of the special patent venue statute was to narrow venue in infringement cases.

Indeed, it is clear that Congress's original intent was to limit the scope of venue in patent infringement cases. Before 1897, patent venue was proper at either the place of the defendant's inhabitance or where "found" for service. See Judiciary Act of Sept. 24, 1789, ch. 20, sec. 11, 1 Stat. 79; see also *Marvel*, 287 U.S. at 434-435. Congress amended the Judiciary Act in 1887 and 1888 to restrict venue in suits against corporate defendants, but this Court held that the general venue provisions of the amendments did not apply to patent infringement litigation. See *In re Keasbey & Mattison Co.*, 160 U.S. 221, 230 (1895); see also *In re Hohorst*, 150 U.S. 653 (1893). Congress acted swiftly after *Keasbey*—not by clarifying that the narrowed general venue rules applied to patent cases, as it could have done, but by instead adopting the "predecessor to § 1400(b) as a special venue statute in patent infringement actions to eliminate the 'abuses engendered' by previous venue provisions allowing such suits to be brought in any district in which the defendant could be served." *Schnell*, 365 U.S. at 262.

The legislative record confirms that Congress acted both to narrow patent venue and to define its contours precisely: Representative Mitchell of New York, who reported the 1987 Act as H.R. 10202 and led the floor discussion on the bill, remarked that it "tend[ed] not only to define the jurisdiction of the circuit courts not now defined, but also limit that jurisdiction." 29 Cong. Rec. 1900 (1897). Representative Lacey of Iowa agreed, explaining that the main purpose of the bill was to restrict venue to those districts "where a permanent agency transacting the business is located, and that business is engaged in the infringement," adding that "[i]solated cases of infringement would not confer this jurisdiction." *Ibid.*; see also Neal A. Waldrop, *The Patent Venue Statute, 28 U.S.C. 1400(b) Should Not Be Repeated*, 4 A.P.L.A. Q.J. 32, 36 (1976).

Given this history and this Court's repeated recognition that Congress intended to narrow venue by enacting the special patent venue statute, the question is whether anything after *Stonite* and *Fourco* indicates a clear intent on Congress's part to change course. The legislative record of the 1988 and 2011 amendments is bereft of *any* evidence that Congress intended to reverse its century-old policy of placing patent litigation in a class by itself for venue purposes. What little evidence exists suggests Congress did *not* intend a substantial change. Consider the following:

1. The House and Senate Reports accompanying the 1988 Act[3] did not describe the amendments as effectuating a fundamental transformation of the scope of the patent venue statute. To the contrary, they

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[3] The Judicial Improvements and Access to Justice Act of 1988, Pub. L. No. 100-702, § 1013, 102 Stat. 4669.

characterized the emendation to Section 1391(c) as one of a series of "miscellaneous provisions dealing with relatively minor proposals," with the House version calling them "relatively minor discrete proposals." See H.R. Rep. No. 889, 100th Cong., 2d Sess. 66 (1988); 134 Cong. Rec. 31061 (1988).

2. The legislative history of the 1988 Act made no mention of Section 1400(b). Instead, the House and Senate Reports explained that the change to Section 1391(c) was intended to ameliorate the problem of corporations being exposed to venue in more than one district in a multi-district state under a literal reading of the pre-amendment general venue statute. See H.R. Rep. No. 889, at 70. If anything, this implies Congress intended the change modestly to *limit* venue, a purpose flatly inconsistent with an implied repeal of Section 1400(b)'s exclusivity.

3. The legislative history of the 1988 amendment to Section 1391(c) states that the amendment was proposed by the "Judicial Conference"—that is, the Judicial Conference Subcommittee on Federal Jurisdiction to the Committee on Court Administration. See 134 Cong. Rec. at 31061. More specifically, the proposal originated from a 1985 memorandum by Judge William W. Schwarzer of the Northern District of California to the members of the Judicial Conference. See 39 Pat. Trademark & Copyright J. (BNA) No. 974, at 426 (1990). Judge Schwarzer himself maintained that his proposal had a narrow purpose and "was not intended to overrule any special venue statute," *ibid.*, a position consistent with the House and Senate Reports' characterization of the change as "relatively minor."

4. The House Report accompanying the 2011 Act,[4] H.R. Rep. No. 10, 112th Cong., 1st Sess. 20 (2011), stated that the sole purpose of the amendment to Section 1391(c) was to apply Section 1391(c) to "venue provisions that appear elsewhere in the United States Code," rather than "only for purposes of venue under Chapter 87." *Fourco* established that the definition of "reside" in the patent venue statute was distinct from, and did not "dovetail" with, the definition supplied by Section 1391(c). Congress's 2011 decision to extend Section 1391(c)'s reach beyond Chapter 87 is immaterial to whether Congress ever intended to abrogate *Fourco* by consolidating the definitions used in the general and patent venue statutes—a point the decision below misapprehended when it concluded that the 2011 amendments constituted "a broadening of the applicability of the definition of corporate residence." Pet. App. 5a.

The lack of any evidence of subsequent congressional intent to expand venue in patent cases only reinforces the soundness of *Fourco*'s holding. "Where there is no clear intention otherwise, a specific statute will not be controlled or nullified by a general one, regardless of the priority of enactment." *Morton* v. *Mancari*, 417 U.S. 535, 550-551 (1974). Congress has never expressed an intention—let alone a clear one—to override *Fourco*'s conclusion that Section 1400(b) is entirely independent of Section 1391(c).

C. The Federal Circuit's Approach to the Patent Venue Statute Shows Insufficient Respect for Principles of

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[4] The Federal Courts Jurisdiction and Venue Clarification Act of 2011, Pub. L. No. 112-63, § 202, 125 Stat. 758, 763-764.

Statutory Interpretation That Are Essential to the Stability of the Legal System

The Federal Circuit's patent venue decisions fail to afford the proper respect to this Court's definitive construction of Section 1400(b) in *Fourco*. In departing from *Fourco*'s long-established holding, the Federal Circuit gave short shrift to the "central importance of stare decisis in this Court's jurisprudence." *Hilton* v. *S. Carolina Pub. Rys. Comm'n*, 502 U.S. 197, 201 (1991). "Adherence to precedent promotes stability, predictability, and respect for judicial authority." *Id.* at 202. For these reasons, this Court does not "depart from the doctrine of stare decisis without some compelling justification." *Ibid.*

Stare decisis has "special force" in respect to statutory interpretation, because "Congress remains free to alter" the statute being construed. *John R. Sand & Gravel Co.* v. *United States*, 552 U.S. 130, 139 (2008) (internal quotation marks omitted). As a result, "[a]ll" of this Court's "interpretive decisions, in whatever way reasoned, effectively become part of the statutory scheme." *Kimble* v. *Marvel Entm't, LLC*, 135 S. Ct. 2401, 2409 (2015). Precisely because settled constructions are presumed to be fixed, a statute's "longstanding meaning forms the background against which Congress legislates when it amends the law." *Firstar Bank, N.A.* v. *Faul*, 253 F.3d 982, 988 (7th Cir. 2001) (citing *Cottage Sav. Ass'n* v. *Comm'r*, 499 U.S. 554, 562 (1991)). When "judicial interpretations have settled the meaning of an existing statutory provision, repetition of the same language in a new statute indicates, as a general matter, the intent to incorporate" that

meaning. *Bragdon* v. *Abbott*, 524 U.S. 624, 645 (1998). In this way, stare decisis both stabilizes statutory law and gives faithful effect to congressional design. *Ibid.*

These principles, and the values they advance, should apply with particular force when (as in this case) a court considers whether a subsequent legislative enactment has impliedly repealed a statutory provision whose meaning has been fixed by judicial interpretation. Like the doctrine of stare decisis, the canon that repeals by implication are disfavored ensures stability and predictability in the law and preserves the separation of powers.[5] This Court's definitive construction of the pre-existing provision must be the baseline for assessing whether a subsequent amendment has repealed or otherwise altered the provision. Only the clearest indications of congressional intent should suffice to justify departing from that construction.

A leading treatise synthesizes these principles:

> A clear, authoritative judicial holding on the meaning of a particular provision should not be cast in doubt and subjected to challenge whenever a related though not utterly inconsistent provision is adopted in the same statute or even in an affiliated statute. Legislative revision of law clearly established by judicial opinion ought to be by express language or by unavoidably implied contradiction.

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[5] The doctrine applies as much to implied amendments as it does to repeals. "Every amendment of a statute effects a partial repeal to the extent that the new statutory command displaces earlier, inconsistent commands, and * * * implied amendments are no more favored than implied repeals." *National Ass'n of Home Builders* v. *Def. of Wildlife*, 551 U.S. 644, 664 n.8 (2007).

Antonin Scalia & Bryan A. Garner, *Reading Law: The Interpretation of Legal Texts* 331 (2012).

In putting aside this Court's definitive construction of Section 1400(b) in *Fourco*, the Federal Circuit did not identify anything remotely approaching "express language" or "unavoidably implied contradiction" to support its conclusion that the 1988 amendments to Section 1391(c) impliedly worked a fundamental transformation in the scope of the patent venue statute. The Federal Circuit accorded enormous weight to Congress's decision to change the ambit of the default definition of corporate residency from "for venue purposes" to "[f]or purposes of venue under this chapter." *VE Holding*, 917 F.2d at 1579-1580. But, as explained above (see *supra* pp. 11-12), that ambiguous shift in introductory language falls far short of the clear evidence of congressional intent needed to support an implied repeal of Section 1400(b) as definitively construed by this Court. And the legislative history (which made no mention of Section 1400(b)) described the changes made by the 1988 amendments to Section 1391(c) as minor and discrete (see *supra* pp. 15-16).

Equally to the point, whatever merit the Federal Circuit's reading might once have held, the 2011 amendments to Section 1391(c) eviscerated the basis for the court's finding of an implied repeal because it eliminated the "under this chapter" language on which that finding rested. At this point, the only substantive difference between the version of Section 1391(c) that *Fourco* construed and the version that exists today is that "for all venue purposes" has replaced "for venue purposes" and been moved to the beginning of the statute. The two phrases are functionally identical—in fact, they are so similar that it can reasonably be as-

sumed that by restoring the phrase "for * * * venue purposes" to the text of the statute Congress intended to incorporate the meaning that *Fourco* ascribed to the statute. See *Bragdon*, 524 U.S. at 645.

The 2011 amendments also narrowed Section 1391's general applicability by providing that it governs the venue of all civil actions "[e]xcept as otherwise provided by law." 28 U.S.C. 1391(a). Some statutes "otherwise provide[]" a special venue distinct from Section 1391's more general rules. See, *e.g.*, *Lumiere* v. *Mae Edna Wilder, Inc.*, 261 U.S. 174, 176 (1923) ("The venue of suits for infringement of copyright is not determined by the general provision governing suits in the federal district courts."). Of course, *Fourco* held that Section 1400(b) is such a statute.

After the 2011 amendments, nothing remains of the Federal Circuit's rationale for overturning this Court's definitive construction of the patent venue statute in *Fourco*. Indeed, in this very case, the Federal Circuit was forced to defend its decision to adhere to *VE Holding* on the theory that Congress could have but did not expressly change it when Congress amended the venue statute in 2011. In other words, the Federal Circuit gave its own ruling in *VE Holding* precisely the authoritative status that the Circuit denied to this Court's construction of Section 1400(b) in *Fourco*. A proper respect for stare decisis and the canon disfavoring repeals by implication, and for the jurisprudential values those doctrines advance, would have avoided the difficulties that the Federal Circuit's approach has produced.

II. RESTORING THIS COURT'S CONSTRUCTION OF THE PATENT VENUE STATUTE WILL STRENGTHEN THE PATENT SYSTEM AND ADVANCE CONGRESS'S STATUTORY GOALS

It should come as no surprise that Congress has never countermanded *Fourco's* interpretation of Section 1400(b). That interpretation reflects sound policies that promote both the stability of the patent system as a whole and the fair and efficient adjudication of infringement disputes.

The Federal Circuit's contrary reading of Section 1400(b) directly undermines these policies. Congress constructed a patent system that depends on a narrow venue rule to function effectively. By design, federal district courts provide a check on the Patent and Trademark Office's (PTO) decisions to grant patents. That check is especially necessary today because the PTO can barely keep up with its ever-growing workload. But the systematic forum-shopping made possible by *VE Holding* has concentrated a significant majority of patent litigation in a small handful of district courts before an even smaller handful of federal judges. As a result, an overwhelmed judiciary cannot effectively superintend an overburdened PTO. In addition, *VE Holding* has deprived the courts of a diversity of views on patent law, which is crucial in a system in which Congress has concentrated patent appeals in a single court. And the Federal Circuit's erroneous decisions have exposed businesses to costly infringement lawsuits by forcing them to defend themselves far from where they are located and where relevant witnesses are found. Restoring *Fourco*'s settled interpretation of

Section 1400(b) will bring an end to these adverse consequences and advance the many sensible policies that undergird the special patent venue provision.

A. The Patent Venue Standard Established in *Fourco* Promotes Effective Judicial Review of Patents

Our patent system assigns a vital role to the federal courts to ensure that patents remain within their proper bounds. That system achieves balance through a "carefully crafted bargain": it rewards inventors with exclusive monopolies, but only to "encourage[] both the creation and the public disclosure of new and useful advances in technologies." *Pfaff* v. *Wells Elecs., Inc.*, 525 U.S. 55, 63 (1998). Sound patents "promote the progress of science and the useful arts" and compensate inventors for their "labor, toil, and expense in making the inventions." *Seymour* v. *Osbourne*, 78 U.S. 516, 533 (1870). But unsound patents—those that are overbroad, ambiguous, unoriginal, or otherwise improvidently granted—"stifle competition without any concomitant advance in the 'Progress of Science and useful Arts.'" *Bonito Boats, Inc.* v. *Thunder Craft Boats, Inc.*, 489 U.S. 141, 146 (1989) (quoting U.S. Const. Art. I, § 8, cl. 8).

Because the PTO has an overwhelming caseload, most patent applications receive only a cursory review before they are approved; patent examiners spend just eighteen hours reviewing the average application, including time spent searching for prior art. See Mark A. Lemley, *Rational Ignorance at the Patent Office*, 95 Nw. U. L. Rev. 1495, 1497, 1500 (2001). For these reasons, patent issuance is fraught with error: re-

search suggests that half of the patents that are litigated to judgment are deemed invalid. *Id.* at 1496 n.4.

By subjecting certain patents to a second layer of exacting scrutiny, patent litigation preserves the system's balance. Robust judicial review serves as a necessary check on the PTO's power to award private monopolies.

Before the Federal Circuit expanded patent venue in *VE Holding*, the burden of judicial review of patents was distributed relatively evenly among more than 600 federal district judges nationwide. See Saurabh Vishnubhakat, *Reconceiving the Patent Rocket Docket: An Empirical Study of Infringement Litigation 1985-2010*, 11 J. Marshall Rev. of Intell. Prop. L. 58, 79 (2011). But *VE Holding* has radically redistributed patent litigation. In the last two years alone, 75 percent of patent case filings were concentrated in just nine judicial districts, with the Eastern District of Texas and the District of Delaware together comprising 48.9 percent of all cases.[6] Brian J. Love & James Yoon, *Predictably Expensive: A Critical Look at Patent Litigation in the Eastern District of Texas*, 20 Stan. Tech. L. Rev. 1, 8 (2017). A single judge in the Eastern District of Texas was assigned approximately one-quarter of all patent cases filed nationwide in the same time period, in large measure because the local rules in that district enable patent plaintiffs to elect to have their cases

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[6] Compounding the problem, patent litigation has multiplied in the same period venue has become concentrated. Patent case filings quintupled between 1991 and 2015. PriceWaterhouseCoopers, 2016 Patent Litigation Study 1 (2016), https://www.pwc.com/us/en/forensic-services/publications/assets/2016-pwc-patent-litigation-study.pdf.

heard by that judge. *Id.* at 6. Two districts in Delaware and Texas have heard 48.9 percent of the nation's patent cases in the last two years, but they of course do not enjoy 48.9 percent of the judicial resources allocated to patent cases, leaving judges in these districts overstretched despite their tremendous exertions.

This extraordinary concentration of patent cases results from a deliberate strategy on the part of the plaintiffs' bar, made possible by the unique characteristics of patent rights. Because intellectual property rights derive from the Constitution, the patent grant has a national scope. See U.S. Const. Art. I, § 8, cl. 8; *Mikohn Gaming Corp.* v. *Acres Gaming, Inc.*, 165 F.3d 891, 896 (Fed. Cir. 1998). And precisely because patent rights are national in scope, an infringing product creates liabilities everywhere it goes, without regard to the patent owner's connection to the forum. See *Beverly Hills Fan Co.* v. *Royal Sovereign Corp.*, 21 F.3d 1558, 1571 (Fed. Cir. 1994). That reality imposes particularly stark consequences on companies like Intel and Dell, which sell a wide array of products in virtually every judicial district in the country.

For these reasons, under an expansive rule that makes venue coextensive with jurisdiction, it was assured that patent owners would come to select venue based on factors that have nothing to do with convenience to either party or the forum's connection to the injury. *Stonite* cited examples of such strategic behavior dating as far back as the 1890s. In *Bicycle Stepladder Co.* v. *Gordon*, 57 F. 529, 529-530 (Cir. Ct. N.D. Ill. 1893), an Iowa plaintiff sued a Kentucky-based ladder manufacturer in the Northern District of Illinois, taking advantage of the fact that the ladder-seller had come to Chicago to visit the World's Columbian

Exposition and had taken a single order from a Chicago resident.

The opportunities for abuse are far stronger today following *VE Holding*. Empirical evidence suggests that venue selection is highly sensitive to factors affecting litigation strategy, such as a district court adopting rules favorable to patent plaintiffs. See Vishnubhakat, 11 J. Marshall Rev. of Intell. Prop. L. at 64 (finding that the number of patent cases filed in the Eastern District of Texas increase eightfold following the district's adoption in 2005 of specialized patent rules). This case provides a good example. The parties to this litigation are Midwestern food and beverage companies—TC Heartland is based in Indiana, and Kraft in Illinois. Less than two percent of TC Heartland's sales of its allegedly infringing "liquid water enhancer[s]" made their way into Delaware. See *Kraft Foods Grp. Brands LLC* v. *TC Heartland, LLC*, No. 14-28-LPS, 2015 WL 4778828, at *1 (D. Del. Aug. 13, 2015). Whatever Kraft's reasons for selecting the venue that it did, it likely was not because Kraft felt the infringement injury more keenly in Delaware than elsewhere. Stratagems of this sort are made possible by the national scope of modern jurisdictional rules and an integrated economy in which almost any patented product can be shipped into any district in the nation. See Kimberly A. Moore, *Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation?*, 79 N.C. L. Rev. 889 (2001).

The combination of broad venue rules following the Federal Circuit's wrong turn in *VE Holding* and intentional strategies to take advantage of those rules has had predictable but unfortunate consequences for the judiciary's ability to serve as an effective check in the

patent system. Districts inundated with a disproportionate number of patent cases have been forced to adapt to skyrocketing caseloads by limiting their review of patents or curtailing pretrial motion practice and other procedural protections. This is manifestly inconsistent with the multi-layered review system that Congress devised.

Several standing orders adopted by judges in the Eastern District of Texas illustrate this compulsion to pare back judicial review when dockets are unmanageably large. In 2014, a standing order for patent cases in one branch of the district was adopted to "increase the efficiency of cases" in light of the "large number of pending cases on the Court's docket" and the concomitant "voluminous pretrial motion practice." See Standing Order Regarding Letter Briefs, Motions in Limine, Exhibits, Deposition Designations, and Witness Lists at 1 (E.D. Tex. Apr. 23, 2014), www.txed.uscourts.gov/cgi-bin/view_document.cgi?document=24456. The order required patent defendants to submit a letter brief seeking permission from the court before filing any summary judgment motion, motion to strike, or *Daubert* motion.

Another standing order sought to expedite patent cases by requiring leave of court, upon a showing of good cause, before a defendant could bring an early "*Alice* motion" challenging patent validity. See Standing Order Regarding Motions Under 35 U.S.C. § 101 (E.D. Tex. Nov. 10, 2015), http://www.txed.uscourts.gov/cgi-bin/view_document.cgi?document=25257.

Overburdened courts have also responded by shortening trials to a bare minimum. Large verdicts in cases involving complex patents have been rendered

following five-day trials. One pharmaceutical defendant in an infringement suit regarding antibodies used to combat cancer-tumor necrosis was given just two-and-a-half days to present its case in chief on invalidity, infringement, damages, and other issues; the jury then reached a verdict of infringement and awarded more than $1.67 billion of damages. See Timothy J. Malloy et al., *1 Size Doesn't Fit All in Patent Trials*, Law360 (Oct. 28, 2010), https://www.law360.com/ip/articles/203660 (discussing *Centocor Ortho Biotech Inc.* v. *Abbott Laboratories*); see also *Centocor Ortho Biotech* v. *Abbott Labs.*, 636 F.3d 1341 (Fed. Cir. 2011) (reversing the verdict).

The contrast with infringement trials in districts not overburdened with patent suits is striking. See, *e.g.*, *Microsoft Corp.* v. *Motorola, Inc.*, No. C10-1823JLR, 2013 WL 2111217, at *1 (W.D. Wash. Apr. 25, 2013) (resolving reasonable and non-discriminatory license terms issues in a 207-page order following a week-long bench trial dedicated solely to patent damages issues); see also Memorandum Opinion, Findings, Conclusions, and Order, *In re Innovatio IP Ventures, LLC*, No. 11-cv-09308 (N.D. Ill. Oct. 3, 2013), ECF No. 975 (deciding the narrow issue of a reasonable and non-discriminatory licensing rate in an 89-page order following a six-day bench trial also solely on damages).

Making matters worse, onerous patent dockets—and the resource-management strategies judges adopt to relieve the pressure—predictably yield higher rates of legal error. Research shows that the most popular forums with patent plaintiffs are also those that are most likely to be reversed by the Federal Circuit. See Teresa Lii, *Shopping for Reversals: How Accuracy Differs Across Patent Litigation Forums*, 12 Chi.-Kent

J. Intell. Prop. 31 (2013). And that is when patents get a hearing at all: the same entities and attorneys responsible for concentrating patent litigation in a handful of districts have perfected the art of extracting quick settlements from defendants who fear the very circumscribed procedural protections and expedited discovery schedules that overconcentration has produced. See Love & Yoon, 20 Stan. Tech. L. Rev. at 14, 23-26 (calculating that the settlement rate in the Eastern District of Texas is 87.5 percent, compared to 71.8 percent for all other districts).

The patent venue statute, as Congress intended it and *Fourco* correctly construed it, maintained the equilibrium of the patent system by allocating the second-level review function roughly evenly across all federal districts. The best available evidence suggests that reversing the Federal Circuit's erroneous interpretation of Section 1400(b) would in relatively short order rectify the unhealthy imbalance that *VE Holding* caused. A recent study concludes that the "distribution of cases would be decidedly less concentrated" if *VE Holding* were reversed, with the District of Delaware becoming the most popular district but hosting just half the share of patent cases as the most popular district today, the Eastern District of Texas. Colleen V. Chien & Michael Risch *Recalibrating Patent Venue* 36 (Oct. 6, 2016), Santa Clara Univ. Legal Studies Research Paper No. 10-1, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2834130.[7] Removing the

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[7] The District of Delaware's rising share of patent cases under a narrowed venue rule would be a byproduct of the state's popularity as a place of incorporation rather than forum shopping. Corporations choose where they incorporate. If the cost

distortive effect of the Federal Circuit's *VE Holding* decision will reinvigorate the judiciary's ability to carry out its vital function of policing patent validity.

B. The Patent Venue Standard Established in *Fourco* Allows Patent-Law Issues To Percolate More Widely Among Lower Courts

Reversing venue concentration in patent litigation will also promote the sound development of patent law more generally. By distributing cases among more courts and judges, a narrow patent venue standard promotes a diversity of judgments, opinions, and practices about how best to resolve patent cases. More judges will have an opportunity to weigh in on challenging questions of patent law, thus allowing the legal system as a whole to benefit from greater inter-court dialogue—a virtue all the more important given Congress's decision to consolidate all appellate decisionmaking in patent cases in a single court of appeals. In contrast, a venue rule under which the vast preponderance of patent cases cluster in a handful of judicial districts sacrifices the benefits of percolation, misallocates the resources of the whole judiciary, and threatens to ossify the development of patent law. The data indicate this is precisely what has followed from the Federal Circuit's ruling in *VE Holding*. Moore, 79 N.C. L. Rev. at 903-907.

A signal virtue of a court system that allocates authority horizontally across multiple lower courts is that

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of doing so becomes intolerable in Delaware because patent law and procedures evolve in a way that is systemically unfair to corporate defendants, they can choose to incorporate elsewhere, which would further diversify venue selection.

they may experiment with different approaches to common legal questions. An appellate court tasked with setting a nationally binding rule can draw on that experimentation. This Court has long cited the benefits of this deliberative process as a reason for denying certiorari. *E.g.*, *Maryland* v. *Balt. Radio Show*, 338 U.S. 912, 918 (1950) ("A case may raise an important question but the record may be cloudy. It may be desirable to have different aspects of an issue further illuminated by the lower courts. Wise adjudication has its own time for ripening."); see also Samuel Estreicher & John Sexton, *A Managerial Theory of the Supreme Court's Responsibilities: An Empirical Study*, 59 N.Y.U. L. Rev. 681, 716 (1984) ("Disagreement in the lower courts facilitates percolation—the independent evaluation of a legal issue by different courts.").

This is particularly true because patent appeals are already consolidated in a single intermediate appellate court. A principal objective in establishing the Federal Circuit was to "improve the uniformity of patent decisions and stability of patent law." John B. Pegram, *Should the U.S. Court of International Trade Be Given Patent Jurisdiction Concurrent with That of the District Courts?*, 32 Hous. L. Rev. 67, 86 (1995). But the Federal Circuit's decisionmaking is improved by hearing a diversity of opinions from the lower courts before rendering a nationally binding judgment. See *Improving Federal Court Adjudication of Patent Cases, Hearing Before the Subcomm. on Courts, the Internet, and Intellectual Property of the U.S. H.R. Judiciary Comm.*, 109th Cong. 1st Sess. 28 (2005) (statement of Professor Kimberly A. Moore) ("[H]aving only one trial court for all patent cases would eliminate the percolation that currently occurs among the various district courts.

Having numerous courts simultaneously considering similar issues permits the law to evolve and often aids in flushing out the best legal rules.").

The concentration of patent venue is a modern phenomenon. Neither the legislators who enacted the patent venue statute nor the *Fourco* Court that interpreted it could have anticipated that the law would be a bulwark against overconcentration. That it would have this effect, however, supplies an important reason why this Court ought to restore the proper interpretation of the patent venue statute.

C. The Unique Characteristics of Patent Litigation Militate in Favor of Narrower Venue

Federal venue statutes "are generalized attempts to promote the * * * goals of convenience and fairness" with respect to individual litigants. *Van Dusen* v. *Barrack*, 376 U.S. 612, 623 (1964). The convenience and practicality afforded by a narrow venue rule is particularly important in patent litigation, which requires careful attention to detailed records relating to the research, design and development of accused products. The patent venue statute reflects Congress's judgment that achieving these goals in patent-infringement cases requires a venue rule that is more protective of defendants' interests than the one that governs most other federal cases.

Decades ago, courts recognized that the patent venue statute reflected "a legislative policy recognizing the technical and intricate nature of patent litigation" because of the "obvious difficulty involved in a court attempting to ascertain from the mass of technical data presented the pertinent and determinative facts."

Bradford Novelty Co. v. *Manheim*, 156 F. Supp. 489, 491 (S.D.N.Y. 1957); accord *Ruth* v. *Eagle-Picher Co.*, 225 F.2d 572, 577 (10th Cir. 1955) ("The patent venue statute, as construed in [*Stonite*], reflected a sound policy of long standing. It was based on considerations of practicality and convenience in such litigation."); Paul J. Kozacky, *Narrow Venue Statutes and Third Party Practice: Third Party Defendants Get to Go Home*, 39 DePaul L. Rev. 389, 399 (1990) (noting that the central purpose underlying the patent venue statute was that "suit should be brought near the location where the defendant keeps his business records, which ordinarily are both voluminous and painstakingly scrutinized in patent infringement litigation."). This is fully consistent with this Court's longstanding assertion that the original patent statute was enacted to narrow venue in infringement cases. See *supra* Part I.B.

This justification for the patent venue statute is far stronger today than in 1897. Modern patent litigation is so complex and fact-intensive that the median cost of defending a moderately sized patent suit is $2.6 million, with the bulk of that expense incurred during discovery. See Letter from Sixty-One Professors to Congress in Support of Patent Reform Legislation (Nov. 25, 2013), http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2359621. While other types of litigation may also be technical, document-intensive, or costly, there is empirical evidence that patent litigation is uniquely so. See, *e.g.*, Emery G. Lee III & Thomas E. Willging, Fed. Judicial Ctr., Report to the Judicial Conference Advisory Committee on Civil Rules: Litigation Costs in Civil Cases: Multivariate Analysis (2010); Am. Intellectual Prop. Law Ass'n, Report of the Eco-

nomic Survey 2013, at I-129-I-132 (2013). Congress's decision to recognize these unique hardships in the patent context remains wise policy. And it can enact similar special venue statutes if it so chooses.

The costs and burdens of infringement litigation are asymmetrically imposed on defendants. In patent infringement cases, "the bulk of the relevant evidence"—both documents and fact witnesses—"usually comes from the accused infringer." *In re Genentech, Inc.*, 566 F.3d 1338, 1345 (Fed. Cir. 2009). The asymmetry is exacerbated when the plaintiff is a non-practicing entity whose business is to own and prosecute patents rather than commercialize them, for these patent owners typically have few relevant documents or witnesses. See *Eon-Net LP* v. *Flagstar Bancorp*, 653 F.3d 1314, 1327 (Fed. Cir. 2011) (observing that the plaintiff could "impose disproportionate discovery costs on" the defendant because, unlike non-practicing entities, "accused infringers often possess enormous amounts of potentially relevant documents that are ultimately collected and produced").

In light of these qualities of patent litigation, considerations of fairness to defendants, cost-effective resolution of disputes, and courts' efficient access to evidence—particularly live testimony by competent witnesses—all favor a special, narrow venue rule in infringement cases.

* * *

As this Court has recognized, the limited venue statute "confers upon defendants in patent cases a privilege in respect of the places in which suits may be maintained against them." *Marvel*, 287 U.S. at 435. That privilege is sensible in light of the special charac-

teristics of patent cases. Those characteristics existed in 1897, but they are even more relevant today, when effective district court review of patents serves as an indispensable check on an overloaded PTO; patent law is in need of wider doctrinal ventilation before legal questions reach the lone court of appeals that considers them; and patent litigation is particularly costly to defendants. If Congress disagrees with these policies, it is free to amend Section 1400(b) or Section 1391(c) to provide in clear terms for a broad venue rule for patent cases. But because Congress has never done that, bedrock legal principles that promote stability, continuity and predictability in the law require that *Fourco*'s correct interpretation of the special patent venue provision be reaffirmed.

CONCLUSION

The judgment of the Court of Appeals for the Federal Circuit should be reversed.

Respectfully submitted,

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TC HEARTLAND, LLC D/B/A/
HEARTLAND FOOD PRODUCTS GROUP,

Petitioner,

v.

KRAFT FOODS GROUP BRANDS LLC,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF THE INTELLECTUAL PROPERTY LAW ASSOCIATION OF CHICAGO AS *AMICUS CURIAE* IN SUPPORT OF NEITHER PETITIONER NOR RESPONDENT

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INTEREST OF *AMICUS CURIAE*

The Intellectual Property Law Association of Chicago ("IPLAC") submits this brief as amicus curiae, but in support of neither party on the ultimate merits of the case.[1,2,3,4] Founded in 1884,

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[1] Pursuant to Supreme Court Rule 37.6, no counsel for a party authored this brief in whole or in any part, no such counsel or a party made a monetary contribution intended to fund the preparation or submission of the brief, and no person other than the *amicus curiae*, its members, or its counsel, made such a monetary contribution.

[2] In addition to the required statement of footnote 1, IPLAC adds that after reasonable investigation, IPLAC believes that (a) no member of its Board or Amicus Committee who voted to prepare this brief, or any attorney in the law firm or corporation of such a member, represents a party to this litigation in this matter, (b) no representative of any party to this litigation participated in the authorship of this brief, and (c) no one other than IPLAC, or its members who authored this brief and their law firms or employers, made a monetary contribution to the preparation or submission of this brief.

[3] Pursuant to Supreme Court Rule 37.2, counsel of record received timely notice of the intent to file this brief under the Rule and consent was granted.

[4] Although over 30 federal judges are honorary members of IPLAC, none of them was consulted or participated in any way regarding this brief.

the Intellectual Property Law Association of Chicago is the country's oldest bar association devoted exclusively to intellectual property matters. Located in Chicago, a principal locus and forum for the nation's authors, artists, inventors, scholarly pursuits, arts, creativity, research and development, innovation, patenting, and patent litigation, IPLAC is a voluntary bar association of over 1,000 members with interests in the areas of patents, trademarks, copyrights, and trade secrets, and the legal issues they present. Its members include attorneys in private and corporate practices before federal bars throughout the United States, as well as the U.S. Patent and Trademark Office and the U.S. Copyright Office. IPLAC represents both patent holders and other innovators in roughly equal measure. In litigation, IPLAC's members are split roughly equally between plaintiffs and defendants. As part of its central objectives, IPLAC is dedicated to aiding in the development of intellectual property law, especially in the federal courts.

SUMMARY OF ARGUMENT

This Court has twice answered the question presented, first in 1942 and then in 1957. Nothing has occurred since then to cause the Court to reverse its long-standing law that 28 U.S.C. § 1400(b) is the sole and exclusive provision governing venue in patent infringement actions.

The Federal Circuit appears to believe that the Court did not mean what it has held. Rather, the Federal Circuit has engrafted 28 U.S.C. § 1391(c)

onto the back of § 1400(b). Applying those two provisions to patent infringement cases has resulted in patent cases being able to be filed in virtually every state in the Union. That was not the intent of § 1400(b) and has given rise to the localization of patent actions in certain courts having no real connection to the disputes, the defendants, or often the plaintiffs. It is time for the Federal Circuit's venue selection approach to revert to what the statute says, as this Court held twice, and over 60 years ago.

ARGUMENT

I. Due to the Federal Circuit's holdings in *VE* and *Beverly*, any alleged patent infringer can be sued essentially anywhere in the country.

The question presented is whether 28 U.S.C. § 1400(b) is the sole and exclusive provision governing venue in patent infringement actions and is not to be "supplemented" by 28 U.S.C. § 1391(c). The answer from the five-page decision of *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222 (1957) affirming the six-page decision of *Stonite Products Co. v. Melvin Lloyd Co.*, 315 U. S. 561 (1942) is plainly yes, and the question is not the further subject of this brief. Instead, the subject of this brief is where the answer no of *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990), has taken the venue law and patent cases.

First, *VE* has taken the venue law to the very-much-unsettled and extreme outer limits of stream of commerce specific personal jurisdiction decision-making in the district courts. *VE* held that because of § 1391(c), § 1400(b) extends to any judicial district in which a defendant corporation is subject to personal jurisdiction (at the time the action is commenced), rather than the state of incorporation and where the defendant has committed acts of infringement and has a regular and established place of business, as in *Fourco*. Of course, a defendant is subject to personal jurisdiction not only under general jurisdiction, but under specific jurisdiction, as in *Helicopteros Nacionales de Colombia, S.A. v. Hall*, 466 U.S. 408, 416 (1984) and *International Shoe Co. v. Washington*, 326 U. S. 310, 316 (1945). In most instances in patent cases, specific jurisdiction is asserted as the basis for jurisdiction and venue, and the analysis collapses into stream of commerce analysis, under the Constitutional minimum contacts due process inquiry. Long-arm statutes typically go to the limits of due process. *E.g.*, *Doe v. Am. Nat'l Red Cross*, 112 F.3d 1048, 1050 (9th Cir. 1997). Since patent cases routinely concern products sold nationwide the stream of commerce theory is a plaintiff-patent owner favorite.

Unfortunately, this Court's stream of commerce jurisprudence is considered by the Federal Circuit to be subject to "several variants," "split," and a matter of debate. The Federal Circuit in *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F. 3d 1558, 1564, 1566 (Fed. Cir. 1994) analyzed *Asahi Metal Industry Co. v. Superior Court*, 480 U.S. 102 (1987) to resolve that four justices had a view that the mere act of placing a product in the stream of

commerce was enough for personal jurisdiction, while four had a view that more was needed. The four justices who found the mere act enough were led by Justice Brennan, who distinguished the stream of commerce only from "unpredictable currents or eddies," 480 U.S. at 117, not exactly an easily discernable or significant limit on stream of commerce theory.

Sidestepping this point, the Federal Circuit found jurisdiction in *Beverly* because the plaintiff had alleged that the defendants, acting in concert, placed accused products in the stream of commerce, knew their likely destination, and should reasonably have anticipated being in court in their subject venue. 21 F.3d at 1566. But the Federal Circuit also resolved that it would set its own course for stream of commerce law and owed no deference to the regional circuits on the matter. *Id.* at 1564.

An upshot of *VE* and *Beverly* is that any patent owner can sue any alleged infringer essentially anywhere in the country, if the alleged infringer or anyone handling its products has any Internet presence, and often when they do not, and the patent owners can expect to succeed in jurisdiction and venue. The patent owners can assert that the Federal Circuit respects a showing of stream of commerce with "nothing more" as much as it respects a stream of commerce showing with "something more," citing *Beverly*. They can also assert that alleged infringers did "more," by asserting as they can and typically do in every patent case that the alleged infringers were intentional in their infringement and thereby did "more" by intentionally targeting the patent owner, as was

done and resolved in their favor, for example, in *Isola USA Corp. v. Taiwan Union Tech. Corp.*, No. 2:12-cv-01361, 2013 WL 12109516, *7 (D. Ariz. Sept. 30, 2013).

II. The Federal Circuit's holdings in *VE* and *Beverly* have resulted in venue battles that would be unnecessary under this Court's well-established law in *Fourco*.

Moreover, patent owners can, as IP case lawyers often suggest or do themselves, sit in their offices, buy a product to have it shipped to them at their desired venue, and then allege stream of commerce jurisdiction and venue, from the shipment and "injury" they induced. Examples of such buying and positioning are in *Edberg v. Neogen Corp.*, 17 F.Supp.2d 104, 113 (D. Conn. 1998), and *BBK Tobacco & Foods LLP v. Juicy eJuice*, No. CV-13-00070, 2014 WL 1686842, at *8 (D. Ariz. Apr. 29, 2014) (trademark case). District courts sometimes have no issues with these plaintiff-self-induced injuries as establishing the plaintiff-desired jurisdiction and venue. *E.g.*, *BBK* at *8. As the Patent Case Management Judicial Guide at 115 states, "the patent venue statute generally permits a plaintiff to bring suit in any district."

Another upshot of the situation is that any defendant sued for patent infringement in a less than sensible venue is forced to make a costly motion to transfer under 28 U.S.C. § 1404(a), and make a showing of inconvenience as a matter of something

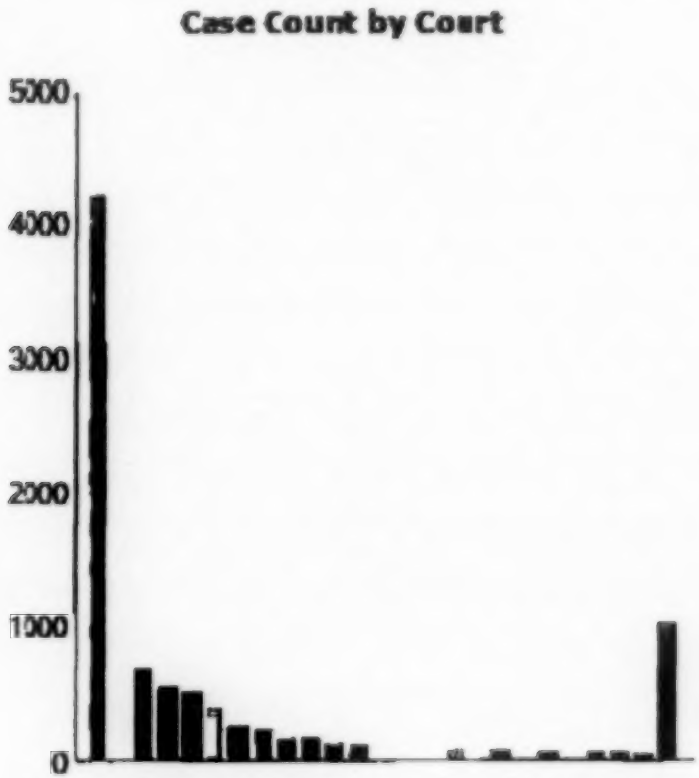
like eight factors, *e.g.*, *Jones v. GNC Franchising, Inc.*, 211 F.3d 495, 498 (9th Cir. 2000). Patent owners assert in response that their choice of forum is "rarely [to] be disturbed," citing non-IP cases such as *Piper Aircraft Co. v. Reyno*, 454 U.S. 235, 241 (1981). They assert the defendants must make "a strong showing of inconvenience," citing cases such as *Decker Coal. Co. v. Commonwealth Edison Co.*, 805 F.2d 834, 843 (9th Cir. 1086). They assert that decision on the motion is discretionary, as in *Arley v. United Pac. Ins. Co.*, 379 F.2d 183, 185 n. 1 (9th Cir. 1967). They assert that while defendants may have claimed important witnesses are elsewhere, they have not satisfied a technicality, *i.e.*, not "demonstrated[d], through affidavits or declarations containing admissible evidence, who the key witnesses will be and what their testimony will generally include.' *Adoma v. Univ. of Phoenix*, 711 F. Supp. 2d 1142, 1151 (E.D. Cal. 2010)," as done in *Koval v. U.S.*, No. 13-CV-1630, 2013 WL 6385595, n. 16 (D. Ariz. Dec. 6, 2013), (E.D. Cal. 2010). They assert transfer "merely shifts the inconvenience," as in *Warfield v. Gardner*, 346 F. Supp. 2d 1033, 1044 (D. Ariz. 2004). They can seek jurisdictional discovery, as in *Data Disc, Inc. v. Systems Tech. Assocs., Inc.*, 557 F.2d 1280, 1285 n. 1 (9th Cir. 1977). In short, the principal alternative available to defendants given the state of the situation is not simple, not inexpensive, and is complicated by opponents. For more, *see, e.g.*, Patent Case Management Judicial Guide, Third Edition, Federal Judicial Center 2016, at 2-61-65 - available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2637605.

In addition, the use of transfer motions has spawned collateral litigation in the form of mandamus petitions. In those instances, the patent defendant whose motion to transfer was denied, may file a petition for mandamus with the Federal Circuit, and that court has approved this procedure. *See In re TS Tech USA Corp.*, 551 F.3d 1315 (Fed. Cir. 2008); *see also*, DW Rupert, DH Shulman, *Clarifying, Confusing, or Changing the Legal Landscape: A Sampling of Recent Cases from the Federal Circuit*, 19 Fed. Cir. B. J. 521, 523-544 (2009-2010) (discussing patent venue principles, transfers, and the use of mandamus proceedings to contest denials of venue transfers). In light of the Court's *Fourco* and *Stonite Products* decisions, there should be no need to resort to collateral litigation in the form of mandamus petitions.

Others have explained where the answer no of *VE* has taken patent cases *geographically*. Under stream of commerce theory, patent cases are disproportionally in one district, the Eastern District of Texas, in one division, Marshall, and with one Article III judge exclusive for that division (J. Gilstrap) and another Article III judge non-exclusive for that division (J. Schroeder III), *See* http://www.txed.uscourts.gov/page1.shtml?location=info. The Eastern District of Texas is where plaintiffs go who want a plaintiff-friendly forum, and where they mostly stay, as against transfer. *See, e.g.*, D. Nazer, V. Ranieri, *Why Do Patent Trolls Go to Texas? It's Not for the BBQ*, July 9, 2014, available at: https://www.eff.org/deeplinks/2014/07/why-do-patent-trolls-go-texas-its-not-bbq. *See also* Margaret S. Williams et al., *Patent Pilot Program: Five-Year Report*, Federal Judicial Center (2016) at 9, available

at: http://www.fjc.gov/public/pdf.nsf/lookup/Patent-Pilot-Program-Five-Year-Report-2016.pdf/$file/Patent-Pilot-Program-Five-Year-Report-2016.pdf.

Between January 1, 2015 through December 31, 2016, about 40% of all patent cases were filed in the Eastern District of Texas (*i.e.*, 4,244 of the 10,782 patent cases filed in the district courts). *See* Appendix I hereto, Nature of Suit Strategic Profile, Property Rights – Patent (830), 1/1/2015 – 12/31/2016, 10782 cases, All Courts. The disparity between the number of patent cases in the E.D. Texas (shown in red in the first bar to the left), and the rest of the country is illustrated in the following chart (Appendix I at 3a):



The Court might analyze that alleged infringers should care little where their lawsuits proceed. One court of appeals with nationwide jurisdiction, working along with this court, determines patent law for the country. All district courts across the country offer competent, if not highly competent and outstanding, federal district judges. Districts such as the Eastern District of Texas where judges handle higher volumes of patent cases also offer judges with funds of experience in such cases. Parties to patent cases should like judges with capabilities based on larger volumes of past specific experiences. They should like judges who like patent cases. They liked the "Rocket Docket" of the Eastern District of Virginia especially when it began. *See, e.g.*, https://en.wikipedia.org/wiki/Rocket_docket and https://www.law360.com/articles/644064/virginia-s-rocket-docket-continues-to-roar. They liked the Rocket Docket in the Western District of Wisconsin when it existed, and other such dockets. These districts and their judges knew patent cases and knew how to move them forward efficiently. It did not matter that they were in places like Richmond, Virginia, and Madison, Wisconsin.

Alleged infringers also liked and like the District of Delaware, and like districts with local patent rules such as the Northern District of California. *See* http://www.localpatent rules.com/. They should and many do like Patent Pilot Program districts. *See* Patent Pilot Program Report at 22-23. Alleged infringers may in fact hire lawyers without regard to whether they sit in the districts where the alleged infringers have their headquarters, or sit in the districts in which they want their cases. Chicago lawyers, for example, could be hired to represent

clients with headquarters anywhere in the country, in cases anywhere in the country, as often actually happens.

But alleged infringers care greatly where their lawsuits proceed. Transfers made because of transfer requests have occurred in numerous patent cases, and requests are made in many more cases. The motions are not typically matters of causing delay or expenditure, but borne out of genuine concerns for distant districts and their juries. The concern to avoid being "homered" is much the same as the concern that caused state-court-to-federal-court removal procedures to come into existence at the time of founding of the country and be Constitutionally protected. *See, e.g.*, Scott R. Haiber, *Removing the Bias Against Removal*, 53 Catholic U. L. Rev. 609 (2004) at 613-616, available at http://scholarship.law.edu/cgi/viewcontent.cgi?article=1246&context=lawreview.

III. The Federal Circuit's holdings in *VE* and *Beverly* have resulted in other unnecessary litigation, in addition to venue battles, that would be avoided under this court's well-established law in *Fourco*.

An example of the consequences the disproportionally high number of patent cases filed in the Eastern District of Texas is the disproportionally low number of rulings on motions to stay litigation pending U.S. Patent and Trademark Office proceedings, such as *inter partes*

review, including grants of those motions in that district compared to all districts collectively. As this Court has recognized:

> The Leahy-Smith America Invents Act, 35 U. S. C. §100 *et seq.*, creates a process called "inter partes review." That review process allows a third party to ask the U. S. Patent and Trademark Office to reexamine the claims in an already-issued patent and to cancel any claim that the agency finds to be unpatentable in light of prior art. See §102 (requiring "novel[ty]'); §103 (disqualifying claims that are "obvious").

Cuozzo Speed Technologies, LLC v. Lee, 579 U.S. ____ (2016).

One of the goals of the act was to address the large number of patent infringement lawsuits by providing ways, such as *inter partes* review, for parties to resolve patent validity in the U.S. Patent Office, and avoid "unnecessary litigation." *See* https://obamawhitehouse.archives.gov/the-press-office/2011/09/16/president-obama-signs-america-invents-act-overhauling-patent-system-stim.

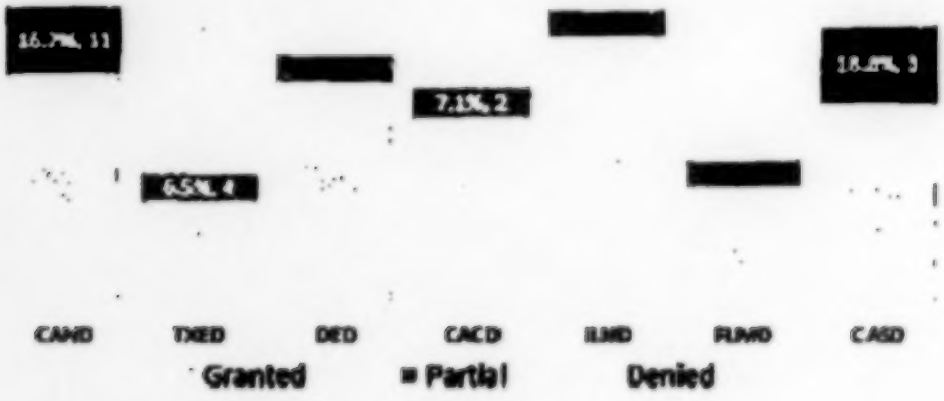
In view of over 40% of all patent cases being filed in the Eastern District of Texas (*see* Brief for Petitioner at 15), it would be expected that over 40% of rulings on motions to stay litigation pending *inter partes* review ("IPR") would be in that district. The following table shows, however, that only 10% of grants of these motions were in the Eastern District

of Texas, from 1/1/2015 through 12/31/2016. *See* Appendix II, for search results using Docket Navigator, (http://home.docketnavigator.com/).

Ruling on Motion to stay litigation pending *inter partes review*	All district courts	E.D. Tex.	E.D. Texas as a % of all district court rulings
Granted	421	42	10%
Denied	111	12	10.8%
Denied without prejudice	67	11	16.4%

Other studies show similar results. For example, as illustrated in the chart below, the Eastern District of Texas only comprises about 23% of rulings on stay motions pending post-grant proceedings in the U.S. Patent Office, *i.e.*, reexamination, *inter partes* review ("IPR"), and covered business method ("CBM") proceedings, when also considering only six other districts (N.D. Cal., D. Del., C.D. Cal., N.D. Ill., M.D. Fla., and S.D. Cal.)—23% is 62 rulings (42+4+16) of 263 total rulings (all chart numbers added) for the period September 2012-July 2015, (*available* at

http://docketreport.blogspot.com/2015/08/motions-to-stay-district-court-cases.html):[5]



Moreover, as illustrated by the above chart, the Eastern District of Texas only comprises about 13% of grants of stay motions when considering only the six other districts identified above, *i.e.*, 16 of 126 (39+16+33+13+12+5+8) grants of stay motions.

Commentators have recognized the lack of success of these motions in the Eastern District of Texas. *See e.g.*, Douglas B. Wentzel, *Stays Pending*

---

[5] In the chart, the top numbers in each column represent the percentage and number of stays denied by the noted district; the middle numbers represent the percentage and number of stays partially granted/denied by the noted district. and the bottom numbers represent the percentage and number of stays granted by the noted district.

Inter Partes Review: Not In The Eastern District Of Texas, 98 J. Pat. & Trademark Off. Soc'y 120, (2016):

> This Article comprises an original study of the differential treatment of motions to stay pending IPR in exclusively NPE-filed cases, both nationwide and solely in the Eastern District of Texas. Through August 2015, the Eastern District of Texas had the lowest grant rate of stays pending IPR outcome in the nation. How the Eastern District of Texas decides stays represents a stark difference from stay decisions made in other U.S. district courts. Also, IPRs are now instituted less frequently than in years prior, and this lower grant rate has significantly impacted the likelihood of stays in the Eastern District of Texas.
>
> A lower stay grant rate in the Eastern District of Texas than in other districts is surprising, given that more than 96% of patent infringement suits in the district are brought by NPEs. Interestingly, district courts nationwide consistently find that NPEs are not prejudiced by a stay of co-pending patent litigation. The present study identifies and analyzes specific reasons for the unique treatment of motions to stay pending IPR in the Eastern District of Texas. This Article also considers how IPR institution impacts stay decisions in the Eastern District of

> Texas. Due to its unique approach to stay analysis, the Eastern District of Texas is the least likely district to grant a stay pending IPR.

The combination of disproportionately high percentage of patent cases filed in the Eastern District of Texas, the disproportionately lower rate of rulings on stays of litigation, and the disproportionately lower rate of stay motions granted in that district, deprives parties from enjoying the benefits of resolving validity issues in the U.S. Patent Office and avoiding unnecessary litigation.

Given the extreme scope of patent venue and jurisdiction, as applied by the Federal Circuit, the stream of commerce theory will continue to be favored by patent owner plaintiffs. Indeed, the surge of Internet sales has given patent owners wide choices in establishing jurisdiction and venue under that theory. Because patent cases typically concern products sold nationwide, the use of the Internet for product sales means products can be purchased from anywhere in the nation and from nationwide websites, such as amazon.com, with shipments to any nook of the country (and Puerto Rico) by delivery services such as FedEx, UPS and USPS. Under the stream of commerce theory, *VE*, and *Beverly*, once the accused infringing product arrives in a district, jurisdiction and venue lie there. This will continue to alarm patent defendants and the fears they have will likely increase until this Court confirms that its *Fourco* and *Stonite Products* decisions have answered the question presented in this case – "Whether 28 U.S.C. § 1400(b) is the sole and exclusive provision governing venue in patent

infringement actions and is not to be supplemented by 28 U.S.C. § 1391(c)." The answer in those cases was "Yes. 28 U.S.C. § 1400(b) is the sole and exclusive provision."

CONCLUSION

This Court should reiterate that its decisions in the *Fourco* and *Stonite Products* cases remain the law and that 28 U.S.C. § 1400(b) is the sole and exclusive provision governing venue in patent infringement actions.

Respectfully submitted,

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February 6, 2017 *Counsel of Record

No. 16-341

IN THE

Supreme Court of the United States

TC HEARTLAND, LLC D/B/A/
HEARTLAND FOOD PRODUCTS GROUP,

Petitioner,

v.

KRAFT FOODS GROUP BRANDS LLC,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES
COURT OF APPEALS FOR THE FEDERAL CIRCUIT

APPENDIX TO BRIEF OF THE INTELLECTUAL PROPERTY LAW ASSOCIATION OF CHICAGO AS *AMICUS CURIAE* IN SUPPORT OF NEITHER PETITIONER NOR RESPONDENT

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Appendix I

LexisNexis® CourtLink®
Nature of Suit Strategic Profile
Property Rights - Patent (830)
1/1/2015 - 12/31/2016
10782 Case(s)
All Courts

The following represents an analysis of Property Rights - Patent (830) cases filed in the following courts for All Courts.

GENERAL OVERVIEW

Total Cases Filed

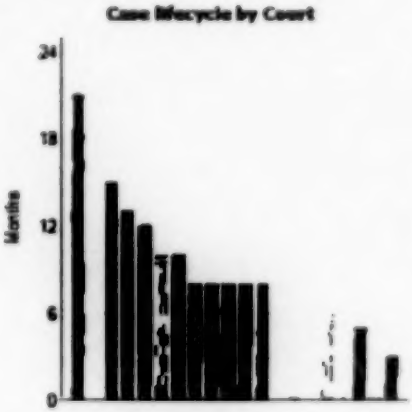
Total Cases Filed - Between 1/1/2015 and 12/31/2016. Property Rights - Patent (830)cases were filed with the following distribution based on date filed. These cases are restricted to those filed in All Courts.

Period	Count	Percent	Legend
2015	6028	55.91%	
2016	4754	44.09%	

Case lifecycle by Court

Time to resolution by court - Below is the average case duration for Property Rights - Patent (830) that were filed between 1/1/2015 and 12/31/2016. as measured from initial case filing date to judgment date. Cases that do not have online judgment data available are not included.

Court	Duration	Legend
New Jersey	1 year(s)	
Massachusetts	1 yr. 1 mo	
Florida - Middle	1 yr. 3 mo	
New York - Eastern	1 yr. 8 mo	



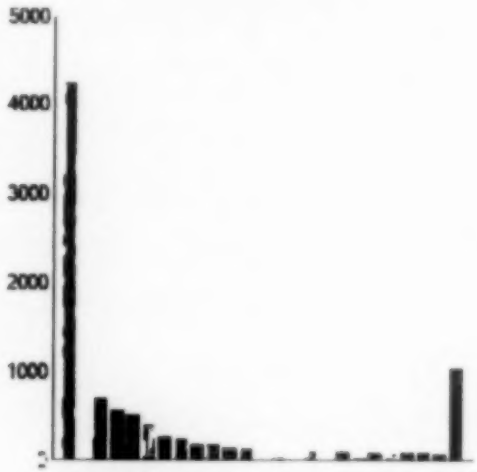
Washington - Western	6 month(s)	☐
Colorado	7 month(s)	☐
North Carolina - Eastern	7 month(s)	☐
California - Central	8 month(s)	■
California - Southern	8 month(s)	■
Florida - Southern	8 month(s)	■
Texas - Northern	8 month(s)	■
Virginia - Eastern	8 month(s)	■

Total Cases Filed By Court

Total Cases Filed - Between **1/1/2015** and **12/31/2016**, **10782** total **Property Rights - Patent (830)** cases were filed in the following Courts for the period

Court	Count	Percent	Legend
Alaska	1	0.01%	
Maine	1	0.01%	
South Dakota	1	0.01%	
Alabama - Southern	2	0.02%	
Georgia - Southern	2	0.02%	
Mississippi - Northern	2	0.02%	
New Mexico	2	0.02%	
Oklahoma - Northern	2	0.02%	
Washington - Eastern	2	0.02%	
West Virginia - Southern	2	0.02%	
Alabama - Middle	3	0.03%	
Illinois - Southern	3	0.03%	
Louisiana - Middle	3	0.03%	
North Dakota	3	0.03%	
Montana	4	0.04%	
Vermont	4	0.04%	
Arkansas - Western	5	0.05%	
Hawaii	5	0.05%	
Illinois - Central	5	0.05%	
New Hampshire	5	0.05%	
Iowa - Northern	6	0.06%	
Kentucky - Eastern	7	0.06%	
Kentucky - Western	7	0.06%	
Louisiana - Eastern	7	0.06%	
Mississippi - Southern	7	0.06%	
Tennessee - Middle	7	0.06%	
Georgia - Middle	8	0.07%	
Oklahoma - Western	8	0.07%	
Rhode Island	8	0.07%	

Case Count by Court



The top 24 Court (by case count) are represented by individual bars in the chart. The remaining Court are aggregated in the right-most bar, shown in dark purple color.

Alabama - Northern	9	0.08%	
Idaho	9	0.08%	
Tennessee - Eastern	9	0.08%	
New York - Northern	10	0.09%	
Virginia - Western	10	0.09%	
South Carolina	11	0.10%	
Dist. Of Columbia	12	0.11%	
Iowa - Southern	12	0.11%	
Nebraska	12	0.11%	
Arkansas - Eastern	13	0.12%	
Florida - Northern	13	0.12%	
Louisiana - Western	13	0.12%	
Missouri - Western	14	0.13%	
Indiana - Northern	16	0.15%	
Puerto Rico	16	0.15%	
Tennessee - Western	17	0.16%	
California - Eastern	19	0.18%	
Kansas	21	0.19%	
New York - Western	24	0.22%	
Michigan - Western	26	0.24%	
Missouri - Eastern	26	0.24%	
Pennsylvania - Western	28	0.26%	
Wisconsin - Western	29	0.27%	
West Virginia - Northern	30	0.28%	
Indiana - Southern	33	0.31%	
Pennsylvania - Middle	33	0.31%	
North Carolina - Middle	34	0.32%	
North Carolina - Eastern	35	0.32%	
Ohio - Southern	37	0.34%	
Oregon	38	0.35%	
Wisconsin - Eastern	43	0.40%	
North Carolina - Western	46	0.43%	
Pennsylvania - Eastern	46	0.43%	

Maryland	55	0.51%	
Arizona	59	0.55%	
Connecticut	69	0.64%	
Nevada	70	0.65%	
Texas - Southern	75	0.70%	
Ohio - Northern	78	0.72%	
New York - Eastern	83	0.77%	
Washington - Western	83	0.77%	
Colorado	93	0.86%	
Minnesota	94	0.87%	
Texas - Western	101	0.94%	
Utah	103	0.96%	
Georgia - Northern	107	0.99%	
Virginia - Eastern	115	1.07%	
Michigan - Eastern	132	1.22%	
Massachusetts	135	1.25%	
Florida - Middle	149	1.38%	
Texas - Northern	178	1.65%	
California - Southern	180	1.67%	
New York - Southern	258	2.39%	
Florida - Southern	266	2.47%	
Illinois - Northern	401	3.72%	
New Jersey	517	4.80%	
California - Central	567	5.26%	
California - Northern	701	6.50%	
Delaware	1003	9.30%	
Texas - Eastern	4244	39.36%	

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Appendix II

Docket Navigator Search ResultsDocket Navigator available at http://home.docketnavigator.com/

Ruling on Motion to stay litigation pending *inter partes review*	All district courts – see Search for All District Courts below	E.D. Tex.- see Search for Eastern District of Texas below	E.D. Texas as a % of all district court rulings
Granted	421	42	10%
Denied	111	12	10.8%
Denied without prejudice	67	11	16.4%

Search for All District Courts – Source: See first screen shot below.

Search terms – center of first screen shot	
Type of court document	Motion to Stay Pending Inter Partes Review
Order filed date	between January 1, 2015 and December 31, 2016

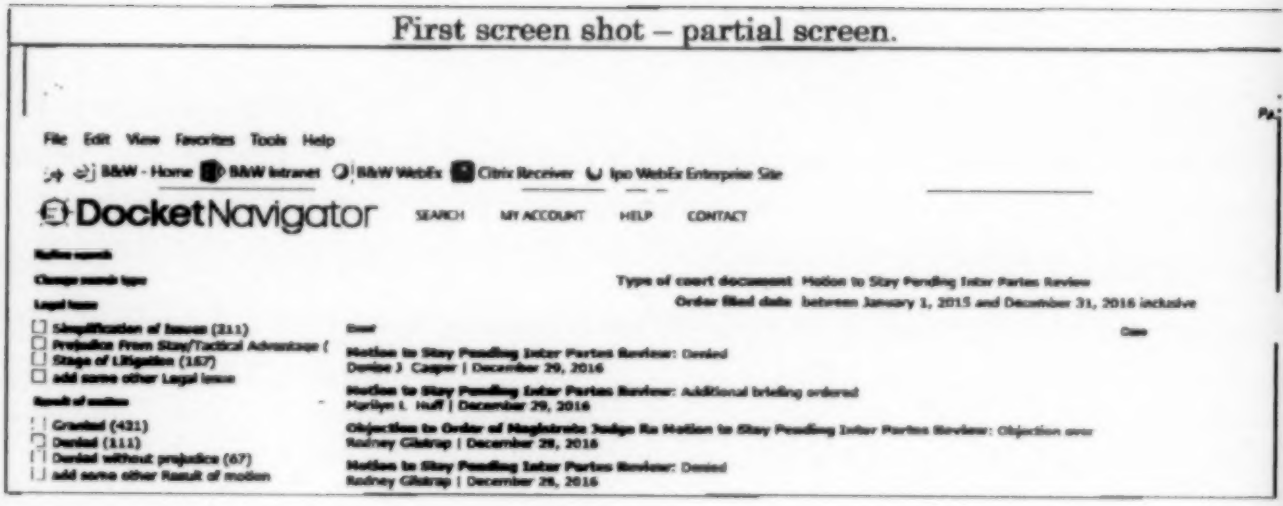
Search Results	
Result of motion – left side of first screen shot	
Granted	(421)
Denied	(111)
Denied without prejudice	(67)

Search for Eastern District of Texas – Source: See second screen shot below.

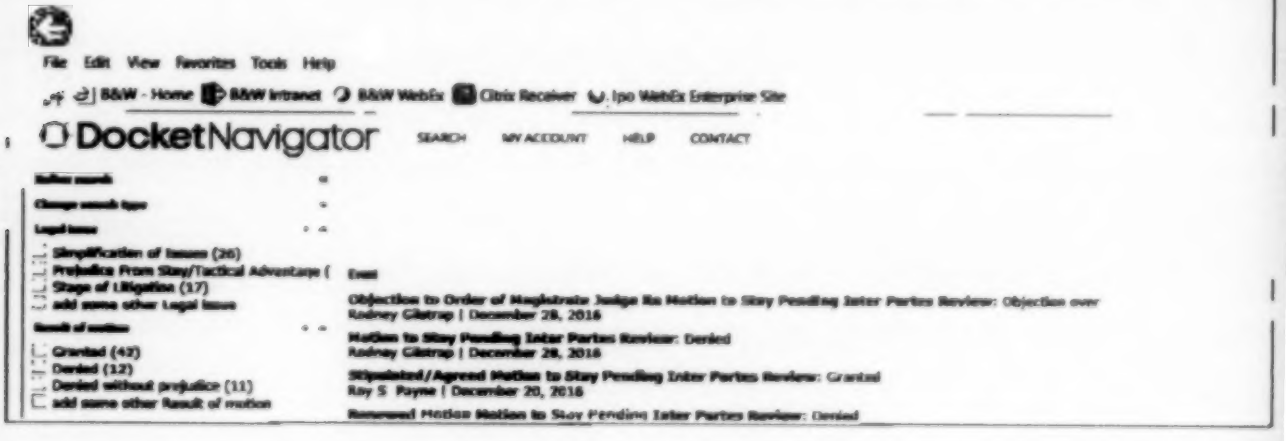
Search terms – center of second screen shot	
Type of court document	Motion to Stay Pending Inter Partes Review
Court/Agency	Texas Eastern District
Order filed date	between January 1, 2015 and December 31, 2016

Search Results	
Result of motion – left side of second screen shot	
Granted	(42)
Denied	(12)
Denied without prejudice	(11)

First screen shot – partial screen.



Second screen shot – partial screen.



RECORD AND BRIEFS

Supreme Court, U.S.
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No. 16-341

IN THE

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TC HEARTLAND LLC,

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Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF *AMICUS CURIAE* NATIONAL ASSOCIATION OF REALTORS IN SUPPORT OF PETITIONER

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INTEREST OF AMICUS CURIAE[1]

Amicus Curiae ("Amicus"), the National Association of REALTORS® ("NAR"), "The Voice for Real Estate," is America's largest trade association, representing more than 1 million members, including NAR's Institutes, Societies and Councils, involved in all aspects of the residential and commercial real estate industries. Our membership is composed of residential and commercial brokers, salespeople, property managers, appraisers, counselors and others engaged in all aspects of the real estate industry. Members belong to one or more of some 1,100 local associations and 54 state and territory associations of REALTORS®. They are pledged to a strict Code of Ethics and Standards of Practice. Working for America's property owners, NAR provides a facility for professional development, research and exchange of information among its members and to the public and government for the purpose of preserving the free enterprise system and the right to own real property.

The real estate industry's ability to serve the public increasingly relies on advances in technology. NAR supports the advancement of technology, and to that end, the orderly and rational development and protection of intellectual property rights, and full access to a broad range of courts nationwide to enforce those rights. Nevertheless, NAR's members have been subjected to patent infringement suits in a peculiar

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[1] Pursuant to this Court's Rule 37.3(a), letters of consent from all parties to the filing of this brief have been submitted to the Clerk. Pursuant to this Court's Rule 37.6, amicus states that this brief was not authored in whole or in part by counsel for any party, and that no person or entity other than amicus, its members, or its counsel made a monetary contribution for its preparation or submission.

concentration of only a few courts in a few districts. NAR believes that Congress intended for patent laws to be interpreted and developed with the benefit of the wisdom of many district court judges nationwide, and that the patent venue statute 28 U.S.C. § 1400(b) was intended to be, and should be, so construed.

SUMMARY OF ARGUMENT

This case involves the proper interpretation of statutory venue in patent cases. The Federal Circuit has construed patent venue so broadly that it allows any plaintiff to sue in the venue of its choice. This has created a patent faction of non-practicing entity plaintiffs that concentrates a substantial majority of patent cases in plaintiff-friendly venues. The concentration results when the faction files cases in the few district courts where the current construction of the venue statutes, local rules, caseload, and docket management practices allow them to avoid early merits adjudication. The Federal Circuit's construction has contributed to a system in which patent law develops in a silo, without the benefit of the divergent viewpoints from a multitude of district court judges. In practical effect, defendants accused by the faction of infringing even a plainly unenforceable patent often must choose between settling the case or cost-prohibitive litigation.

The concentration runs counter to Congress's desire to widely distribute adjudication of nationally-significant patent rights and diverts patents from the Constitution's direction that patent laws "promote the Progress of Science and useful Arts." This Court's evaluation of the text of 28 U.S.C. §§ 1391 and 1400 should also consider the systemic effect of those statutes on the administration of the Patent Act, including whether the patent system as legislated by Congress, interpreted by this Court, and implemented by the various United States District Courts, effects its constitutional purpose. For these reasons, this Court should reverse the decision of the Federal Circuit and construe the patent venue statute as advocated by Petitioner.

ARGUMENT

I. INTRODUCTION

President Washington warned against the destructive tendency of any faction, not merely partisan divisions:

> [A]ll combinations and Associations . . . with the real design to direct, control, counteract, or awe the regular deliberation and action of the Constituted authorities . . . serve to organize faction, . . . to put in the place of the delegated will of the Nation, the will of a party; often a small but artful and enterprising minority of the Community; and, according to the alternate triumphs of different parties, to make the public administration the Mirror of the ill concerted and incongruous projects of faction, rather than the organ of consistent and wholesome plans digested by common councils and modified by mutual interests.[2]

President Washington named the source of contemporary maladministration of American patent law: Faction. As this brief explains, a faction comprised largely of patent plaintiffs who assert a class of patents covering internet, e-commerce, and electronic communication but who themselves manufacture nothing, and often as not employ no one, has concentrated the adjudication of a vital subset of the nation's

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[2] George Washington, *Farewell Address*, in *WRITINGS* 962, 968 (Literary Classics of the United States, Inc., 1997) (hereinafter, "*Washington's Farewell Address*").

patents in the hands of "a small but artful and enterprising minority of the Community."[3] That concentration impermissibly undermines the structure of the Patent Act by hindering Congress's repeated expression of its desire to involve many different courts across the nation in adjudicating patent grants. The resultant faction diverts an entire class of patents to purely private gain and away from their Constitutional purpose: "To promote the Progress of Science and useful Arts."[4]

As other briefs explain, the plain language of the two venue statutes in this case requires this Court to reverse the lower court's ruling. This brief does not repeat their arguments, but does agree with their conclusions.[5] 28 U.S.C. § 1400(b) specifically governs venue in patent cases rather than the general venue statute (28 U.S.C. § 1391(c)), because § 1391(a) expressly excludes application of § 1391 where other venue provisions govern. Although the patent specific venue provision (§ 1400(b)) does not itself define "resides," this Court has historically interpreted "resides" in § 1400 as the patent defendant's state of incorporation. This alone requires reversal of the court below.[6]

Amicus submits this brief because even if this Court finds some ambiguity in the statutes' plain language,

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[3] *Id.*

[4] U.S. Const. art. I, § 8, cl. 8.

[5] Brief for Petitioner at 21-42, *TC Heartland, LLC d/b/a Heartland Food Prods. Grp. v. Kraft Foods Grp. Brands LLC*, No. 16-341 (U.S. Jan. 30, 2017).

[6] *Hartford Underwriters Ins. Co. v. Union Planters Bank, N.A.*, 530 U.S. 1, 6 (2000) ("[W]hen the statute's language is plain, the sole function of the courts . . . is to enforce it according to its terms.") (internal quotation marks omitted).

this Court must nevertheless adopt the construction that "produces a substantive effect that is compatible with the rest of the law."[7] Such a construction will avoid the factious concentration that is inconsistent with how "Congress has repeatedly displayed a preference for geographically divided power in its treatment of the federal judiciary since the Judiciary Act of 1789."[8] This Court must reject a construction that injects an unconstitutional trespass on the purposive preamble of our Constitution's Patent Clause, especially as to a vital subset of patents addressing e-commerce, the internet, and modes of electronic communication.

The legally correct, narrow construction of the statute's venue provisions compels plaintiffs to disperse patent filings around the country. This would cure the current faction in patent litigation venue, as foreseen by Madison in Federalist No. 10:

> The greater number of citizens . . . which may be brought within the compass of . . . government . . . is [the] circumstance principally which renders factious combinations less to be dreaded . . . Extend the sphere, and you take in a greater variety of parties and interests; you make it less probable that a majority of the whole will have a common motive to invade the rights of other citizens; or if such a common motive exists, it will be more difficult for all who feel it to discover

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[7] *United Sav. Ass'n of Tex. v. Timbers of Inwood Forest Assocs.*, 484 U.S. 365, 371 (1988).

[8] *United States v. Krueger*, 809 F.3d 1109, 1125 (10th Cir. 2015) (Gorsuch, J., concurring).

their own strength, and to act in unison with one each other.[9]

II. The Sources And Results Of The Patent Faction

The question presented in this case addresses *only* the proper statutory construction of *only one* of many constituent elements that together enable the patent faction: the federal venue statutes. Neither this case, nor any other, could reasonably question most elements that combine to give life to the patent faction. The faction uses a combination of individually permissible laws and rules to focus its attention primarily on a single district court, the Eastern District of Texas, a venue where the patent faction finds that it can avoid judicial review of patentable subject matter, review required by this Court's precedents.

A. Patent Litigation In The Eastern District of Texas

The patent faction works with the combined effect of various laws and rules, including the current venue rule,[10] state long-arm statutes,[11] alienability of patents,[12] state laws allowing corporations that exist for the sole purpose asserting patents,[13] disparity in discovery costs between patent assertion entities and practicing

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[9] The Federalist No. 10 (James Madison).

[10] *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1575 (Fed. Cir. 1990).

[11] *Id.* at 1583.

[12] 35 U.S.C. § 261 ("[P]atents shall have the attributes of personal property.").

[13] *See, e.g.*, Tex. Bus. Orgs. Code Ann. § 2.001 (West 2006).

defendants,[14] local patent rules and practices,[15] and disparities in courts' consideration and grant of dispositive motions challenging patentable subject matter.[16] Focusing primarily on the one federal venue where it finds a uniquely favorable combination of these elements, the patent faction has created an outcome Congress did not intend and could not have foreseen. The faction's practice, particularly in the Eastern District of Texas, and particularly as it concerns e-commerce and internet patents, raises concerns about enforcement of the constitutional limits on patent power repeatedly identified by this Court.

The statistical anomaly of the Eastern District of Texas' patent docket has been described by numerous other amici. It is striking. Plaintiffs file nearly 40% of all patent cases, and 60% of cases asserting high-tech patents, in just that one district.[17] A study by

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[14] Fed. Trade Comm'n, *Patent Assertion Entity Activity: An FTC Study* 7 n.12 (Oct. 2016), *available at* https://www.ftc.gov/system/files/documents/reports/patent-assertion-entity-activity-ftc-study/p131203_patent_assertion_entity_activity_an_ftc_study_0.pdf.

[15] *See* E.D. Tex. Civ. R. 26(a)-(d) (May 24, 2016) (requiring broad discovery responses despite pending dispositive motions); *Sample Discovery Order for Patent Cases Assigned to Judge Rodney Gilstrap and Judge Roy Payne*, *available at* http://www.txed.uscourts.gov/cgi-bin/view_document.cgi?document=22243. (last visited Feb. 5, 2017).

[16] Brian J. Love & James C. Yoon, *Predictably Expensive: A Critical Look at Patent Litigation in the Eastern District of Texas*, 20 Stan. Tech. L. Rev. 1, 30-34 (2016) (describing reluctance of E.D. Texas to hear and grant *Alice* motions) (Hereinafter "Love").

[17] *See Docket Navigator Analytics*, Docket Navigator, http://home.docketnavigator.com/overview/analytics (last visited Feb. 3, 2017). Docket Navigator is an SaaS provider that allows users to search documents filed in patent infringement suits and generate related analytics. *See Docket Navigator Research*

Professors Brian Love and James Yoon found that since 2014, "more than 90% of patent suits in East Texas were filed by PAEs enforcing high tech patents."[18] A small group of plaintiffs initiates this high volume of patent filings, relying on local patent case assignment rules which ensure the cases come before a few judges.[19]

This concentration has real, adverse consequences. For example, Professors Love and Yoon found East Texas judges are "*disproportionately unlikely* to stay cases pending post-grant challenges, to require that patentees litigate individual cases against individual defendants, to grant early motions to dismiss on patentable subject matter grounds, and to award attorney's fees to prevailing parties."[20] The standing case schedule for patent cases in East Texas pairs early and broad discovery deadlines with relatively late (and unlikely to be granted) actions on motions to transfer, motions to dismiss, motions for summary judgment, and claim construction rulings. For all these categories of milestone rulings in patent cases,

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Database, Docket Navigator, http://home.docketnavigator.com/overview/docket-navigator (last visited Feb. 3, 2017). All patent litigation statistics in this brief resulted from searching for suits filed between January 1, 2015 and December 31, 2015. "High tech" patents as the terms is used herein are those U.S. Patent Classifications grouped by NBER Technology Categories for Computers & Communications and Electrical & Electronic, with all related subgroupings. *See* Alan C. Marco et al., *The USPTO Historical Patent Data File: Two Centuries of Invention*, 25 (U.S. Patent & Trademark Office, Working Paper No. 2015-125, June 2015), *available at* https://www.uspto.gov/sites/default/files/documents/USPTO_economic_WP_2015-01_v2.pdf.

[18] Love, *supra* n. 16 at 12.

[19] *Id.* at 6, 25.

[20] *Id.* at 26.

this one district is less likely than other districts to rule in favor of defendants, and more likely to be reversed on appeal.[21]

Tellingly, a recent study by the Federal Trade Commission concluded that 77% of settlements resulting from a litigation settlement with a patent assertion entity cost defendants less than the estimated cost of defending a patent lawsuit *merely through the end of discovery*—essentially ensuring that an overwhelming majority of settlements in these cases fell below a nuisance cost of litigation.[22] In the Eastern District of Texas, milestone rulings that might resolve a patent case in a cost-efficient manner (*e.g.*, dismissal motion or claim construction ruling) often do not occur until well after a defendant completes the long, one-sided, and expensive discovery period. Using this local practice, the faction often compels an economically rational defendant to settle for a nuisance value below the cost of discovery, which the FTC estimates falls anywhere between $300,000 and $2.5 million.[23] As a result, a defendant sued in the Eastern District of Texas likely incurs significant expense in discovery before ever reaching the merits. This often makes settlement at less than the cost of the unbridled discovery and resolution delays, as allowed in this one district, the economically rational choice.

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[21] *Id.* at 16–19.

[22] *Supra* n. 14, at 10.

[23] *Id.*

B. The Eastern District of Texas After *Alice*

This Court recently addressed the question of patentable subject matter in computer-implemented inventions in *Alice Corp. Pty. Ltd. v. CLS Bank Int'l.*[24] Early dispositive motions challenging the subject matter of claims under 35 U.S.C. § 101, in light of *Alice*, have revolutionized early stage litigation of patents claiming computer implemented inventions. But the revolution did not reach, nor deter, the patent faction in the Eastern District of Texas. Since June 2014, 180 patent cases outside the Eastern District have faced patentable subject matter challenges invoking *Alice*. In over half those cases, courts found patent claims invalid for lack of patentable subject matter. By sharp contrast, in the Eastern District of Texas, where plaintiffs filed over 40% of all patent cases and over 60% of cases asserting high-tech patents, the court has ruled on only thirty-nine *Alice* challenges and granted only fourteen.[25] In short, a patent that wrongly deprives the public of "the basic tools of scientific and technological work"[26] can live on in the Eastern District of Texas, diverting that patent, and others like it, from the constitutional purpose of the Patent Clause: "To Promote the progress of Science."[27] Correct construction of the venue provisions answers not only the question presented in this case but also stands as the only effective judicial remedy to the current faction in patent litigation venue. As discussed below, correct construction of

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[24] __ U.S. __, 134 S. Ct. 2347 (2014).

[25] Love, *supra* n. 16.

[26] *Gottschalk v. Benson*, 409 U.S. 63, 67 (1972).

[27] U.S. Const. art I, § 8, cl. 8.

the venue provisions does more than enforce their written text: It compels plaintiffs to disperse patent suits among all the nation's district courts and reinvigorates enforcement of constitutional limits on patent power that protect the public and protect future innovation.

III. CONGRESS SEEKS GEOGRAPHICALLY DIVIDED POWER OVER PATENT ADJUDICATION

As explained earlier, the patent faction's use of the Eastern District of Texas' unique combination of rules has effectively concentrated over 40% of patent litigation in the hands of only two judges.[28] In sharp contrast to this outcome, "Congress has repeatedly displayed a preference for geographically divided power in its treatment of the federal judiciary since the Judiciary Act of 1789 . . ."[29] Indeed, Congress has demonstrated its preference for geographic dispersal of patent trials no less than any other federal questions. An opposite result, arising in part from the lower court's construction of the venue provisions of Title 28, is incompatible with the balance of Title 35. Accordingly, this Court should reject it.

Madison's insights in Federalist No. 10 find expression in today's 94 federal district courts and nearly 700 authorized district judgeships.[30] By seeking "fit characters" from the entire Republic, Congress has

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[28] *See supra* n. 17.

[29] *Krueger*, 809 F.3d at 1125.

[30] *U.S. District Courts Additional Authorized Judgeships*, Admin. Off. U.S. Courts (2016), *available at* http://www.uscourts.gov/sites/default/files/districtauth_0.pdf. Here and in all similar statistics, only the authorized judgeships were counted, excluding temporary or senior status judges.

created "a greater probability of a fit choice" in those judges.[31] By distributing the judicial districts and judgeships geographically across the country, Congress can "[e]xtend the sphere, and take in a greater variety of parties and interests."[32] Modern court administration further advances this principle by distributing intermediate appellate review among three-member panels of multi-member courts, vastly increasing the possible variety of interlocutions between trial judge and appellate panel. Even where Congress has sought specialization in patent adjudication, whether at the administrative, trial court, or appellate level, it has always created structures that, if properly executed, distribute decisions among numerous participants, not a statistically insignificant few. In light of this repeated Congressional preference, expressed in both the Patent Act and in the structure of the lower federal courts, this Court should consider not only the statutory text, but also the actual effect of the lower court's construction of the venue statutes, because "it would be more than a little ironic for an Article III court to deny effect to Congress's attentive work in this area."[33]

A. The Patent Pilot Program Sought To Involve Many Judges

Recent congressional action supporting district court's work in patent cases demonstrates Congress's aversion to the concentration of patent litigation found today. Congress created the ten year Patent Pilot Program ("PPP") "to encourage enhancement of expertise

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[31] The Federalist No. 10 (James Madison).

[32] *Id.*

[33] *Krueger*, 809 F.3d at 1125.

in patent cases among district judges,"[34] and included measures intended to limit or prevent forum shopping despite a certain level of adjudicative concentration within participating district courts. Congress required the PPP to include "not less than 6 United States district courts, in at least 3 different judicial circuits."[35] Among those participating districts, it required at least three districts with ten or more authorized judges and three or more judges participating in the program, and at least three districts with fewer than ten district judges but at least two participating judges.[36]

Congress required a minimum number of district courts as well as a minimum number of trial judges within each participating district court "to ensure that the selection of a certain court does not mean the selection of a certain judge."[37] Therefore, even as the pilot program increases the expertise of judges who opt into the program, "it also ensures that the selection of a certain district court is not outcome-determinative, and thus it does deter forum shopping."[38] A "core intent of this pilot [was] to steer patent cases to judges that have the desire and aptitude to hear patent cases, while preserving random assignment as much as possible."[39] Here, too, Congress plainly considered that more, rather than fewer judges should evaluate national patent rights, and that those judges should

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[34] Patent Cases Pilot Program, Pub. L. No. 111-349 (Jan. 4, 2011).

[35] Pub. L. No. 111-349 § 1(b).

[36] *Id.*

[37] 110 Cong. Rec. H1413 (daily ed. Feb. 12, 2007).

[38] *Id.*

[39] 111 Cong. Rec. H8539 (daily ed. Dec. 16, 2010) (statement of Congressman Issa).

come from geographically dispersed district courts of varying size. This result stands in marked contrast to the consequences of the construction of venue rules at issue in this case. Proper construction of the venue clauses will result in actual litigation practice that gives full effect to the Congressional intent of the PPP.

B. The PTAB, Congress's Delegated Administrative Adjudicators, Has Many Members

When Congress authorized an extremely specialized patent adjudicatory body within the United States Patent Office, it ensured participation by many administrative adjudicators. The Patent Trial and Appeal Board ("PTAB"), created by the America Invents Act ("AIA), consists of Administrative Patent Judges ("APJs") who sit on three member panels that adjudicate contested AIA trials.[40] As of summer 2016, the PTAB consisted of 271 APJs, of whom approximately 7% focus on administrative duties. The PTAB divides the remaining 253 APJs into 12 sections according to broad technical focus, for assignment to trial panels.[41] Thus, Congress's creation of even this most specialized group of patent adjudicators follows its regular practice of involving many separate voices in patent adjudication.

Each of the foregoing statutory mandates expressly or impliedly extends the sphere of patent adjudication. If this Court entertains any doubt as to the proper

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[40] 35 U.S.C. § 6.

[41] U.S. Patent and Trademark Office, *Organizational Structure and Administration of the Patent Trial and Appeal Board*, 2, *available at* https://www.uspto.gov/sites/default/files/documents/Organizational%20Structure%20of%20the%20Board%20May%2012%202015.pdf (last visited Feb. 5, 2017).

construction of the two venue provisions, it should adopt a construction that avoids a result that contradicts and undermines other substantive portions of the Patent Act, through which Congress has repeatedly expressed its intention for broad district court involvement in patent adjudication.

C. Congress Has Long Directed The Involvement Of Many Trial Courts And Many Appellate Panels

Throughout the history of the operative patent venue statute (§ 1400(b)), and even after the creation of a special purpose patent appellate court, Congress has sought the involvement of a broad variety of trial judges and review panels in adjudicating the scope of patent grants. Just prior to the creation of the Federal Circuit in 1982, patent litigants appealed to one of the regional courts of appeal. Thus, in 1981, a suit might begin before any one of 512 district court judges, with appeal to a panel of the regional circuit. This meant a patent suit would be heard and then reviewed by one of 200,990 possible combinations of trial court and appellate panel:[42]

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[42] All charts include only the number of authorized judgeships, and exclude temporary judges, judges on senior status, or reductions due to vacancies. Further, the number of potential three member panels on any court of n members is determined by the following formula: $n(n-1)(n-2)/6$. *See, e.g.*, Richard P. Stanley, *Enumerative Combinatorics Volume 1* 23 (2d ed. 2011), *available at* http://math.mit.edu/~rstan/ec/ec1.pdf.

Circuit Court	1981 Circuit Judges[43]	Potential Panels	1981 District Judges[44]	Potential Pairings[45]
District of Columbia	11	165	15	2,475
First	4	4	23	92
Second	11	165	50	8,250
Third	10	120	48	5,760
Fourth	10	120	44	5,280
Fifth	14	364	57	20,748
Sixth	11	165	51	8,415
Seventh	9	84	36	3,024
Eighth	9	84	35	2,940
Ninth	23	1,771	74	131,054
Tenth	8	56	27	1,512
Eleventh	12	220	52	11,440
Total				**200,990**

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[43] *History of the Federal Judiciary; The U.S. Courts of Appeals and the Federal Judiciary*, Fed. Judicial Ctr. http://www.fjc.gov/history/home.nsf/page/courts_of_appeals.html (last visited Jan. 30, 2017). The "Select a Circuit" dropdown list gives the number of authorized judges after each legislative change in authorized seats. Pub. L. No. 95-486, 92 Stat. 1629 (1978) increased the federal judiciary prior to 1981. Pub. L. No. 96-452, 94 Stat. 1994 (1980) reorganized the Fifth Circuit into the Fifth Circuit and the Eleventh Circuit.

[44] *History of the Federal Judiciary: The U.S. District Courts and the Federal Judiciary*, Fed. Judicial Ctr. http://www.fjc.gov/history/home.nsf/page/courts_district.html (last visited Jan. 30, 2017). The "Select by State" dropdown list gives the number of authorized seats per state and per district. Territorial court judges were not counted.

[45] The potential pairings equal the number of district court judges multiplied by the number of potential panels.

In light of Congress's concern that variations in appellate treatment of patent rights led to forum shopping, it created the 12-member United States Court of Appeals for the Federal Circuit in 1982.[46] Thus, if patent plaintiffs had subsequently distributed suits among the nation's authorized District Court judges as evenly as any other private civil litigation,[47] Congress would still have created a system with 146,740 possible combinations of trial court and appellate panel, arising from cases heard before 667 trial judges and appealed to 220 possible appellate panels from the 12-member Federal Circuit.

Of course, had Congress desired instead the contemporary concentration of patent litigation in a few district courts within three different circuits,[48] there would have been no need to create the Federal Circuit,

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[46] *See* S. Rep. No. 97-275, 5 (1981), *as reprinted in* 1982 U.S.C.C.A.N. 11, 15; Pub. L. No. 97-164, 96 Stat. 25 (1982).

[47] For non-intellectual property private civil cases, a district's percentage of cases roughly correlates to its percentage of authorized judges. *Compare U.S. District Courts Additional Authorized Judgeships*, *supra* n. 30, with *Table C-3: U.S. District Courts—Civil Cases Commended, by Nature of Suit and District, During the 12-Month Period Ending June 30, 2016*, Admin. Off. U.S. Courts (June 30, 2016), *available at* http://www.uscourts.gov/sites/default/files/data_tables/stfj_c3_630.2016.pdf. Private civil cases are Contract, Real Property, Motor Vehicle Personal Injury, Other Personal Injury, Other Tort Action, Civil Rights, and Labor Suits from Table C-3; *see also* Matthew Sag, *IP Litigation in District Courts: 1994-2014*, 101 Iowa L. Rev. 1065, 1087-88, 1095-99 (2015) (finding geographic distribution of copyright cases to be "somewhat chaotic" or "literally all over the place" compared to patent cases).

[48] Love, *supra* n. 16, at 8 (finding 59.4% of all patent filings between January 2014 and June 2016 occurred in the Eastern District of Texas, District of Delaware, Central District of California, and Northern District of California).

thereby still ensuring many possible variations of interlocution between trial and appellate judges. In such a counterfactual example, most litigants would appeal, for instance, from the District of Delaware to the Third Circuit; from the Eastern District of Texas to the Fifth; and from Northern and Central California to the Ninth. Even that state of affairs would have reflected an extended sphere of over 156,000 potential trial and appellate pairings:

Circuit Court	Circuit Judges[49]	Potential Panels	District Judges[50]	Potential Pairings
Third	14	364	4	1,456
Fifth	17	680	7[51]	4,760
Ninth	29	3,654	41	149,814
Total				**156,030**

In the current state of affairs, fewer than 10% of all district court judges adjudicate over 60% of patent suits. Each suit is appealed to a small, specialized patent appellate panel. This results in a fraction of the number of possible trial deliberation and appellate review pairings for patent law than any system actually designed by Congress. The districts of Delaware,

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[49] *U.S. Courts of Appeals Additional Authorized Judgeships*, Admin. Off. U.S. Courts, *available at* http://www.uscourts.gov/sites/default/files/appealsauth_0.pdf (last visited Feb. 5, 2017).

[50] *U.S. District Courts Additional Authorized Judgeships*, *supra* n. 30. These numbers only include the number of authorized judgeships for the District of Delaware, the Eastern District of Texas, and the Northern and Central Districts of California.

[51] This number exaggerates the potential pairings, because the Eastern District of Texas does not randomly assign civil cases to judges. Due to assignment rules, nearly all cases are assigned to one judge in each division. Love, *supra* n. 16.

Eastern Texas, and Northern and Central California, with 52 authorized judges,[52] hear over 60% of all patent suits.[53] Litigants appeal those judgments to 220 potential Federal Circuit panels, leaving only 11,440 possible pairings of trial court and subsequent appellate panel: only 7% of the number of relevant pairings legally available under the broad structure actually mandated by Congress.

D. Grants Of Trial Court Discretion Presuppose Many Judges' Involvement

As further evidence of Congressional opposition to concentration of patent trials, this Court has consistently concluded that Congress gave broad district court discretion in many aspects of patent cases. This Court has reversed Federal Circuit decisions that narrow the sources of patent law jurisprudence, finding congressional grants of district court discretion in numerous sections of the Patent Act and various Federal Rules of Evidence and Civil Procedure. This includes discretion to grant or deny injunctions,[54] discretion to award or deny attorneys' fees,[55] deference to district court fact-finding in claim construction,[56] and discretion to award or deny enhanced damages.[57]

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[52] Again, disregarding case assignment rules that constrain rather than extend the sphere.

[53] *See supra* n. 17.

[54] *eBay Inc. v. MercExchange*, 547 U.S. 388 (2006).

[55] *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, __ U.S. __, 134 S. Ct. 1749 (2014); *Highmark Inc. v. Allcare Mgmt Sys.*, __ U.S. __, 134 S. Ct. 1774 (2014).

[56] *Teva Pharm. USA v. Sandoz, Inc.*, 135 S. Ct. 831 (2015).

[57] *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, __ U.S. __, 138 S. Ct. 1923 (2016).

This Court should consider that today, adjudication of over 40% of these discretionary questions comes from the pens of two trial judges instead of 220 potential Federal Circuit panels. In contrast to today's actual practice, this Court's decisions reinforce the conclusion that the proper construction of the venue statutes must result in broader venue as a matter of fact, not merely of theory. Correct construction results in over 660 adjudicators in practice, far more than if Congress had chosen to vest the Federal Circuit with decisional authority over these questions. Reflecting the natural structure of the entire congressional implementation of patent adjudication, Congress's repeated grants of district court discretion strongly suggest its intent to implement patent venue that involves more, not fewer, judges in hearing patent suits.

IV. THE PATENT FACTION EVADES CONSTITUTIONAL LIMITS ON PATENT POWER

For over 150 years, the Court has shown that constitutional limits on the scope of patentable subject matter affect the resulting scope of future innovation. In other words, limitations on patentable subject matter help enforce the constitutional mandate that patents must promote the progress of science.[58] The patent faction's focus on the Eastern District of Texas works to exclude high-tech patents – those reasonably subject to review under *Alice* – from judicial review of constitutional limits on patentable subject matter, review that has become routine in other districts.

The Constitution authorizes Congress to "secur[e] for limited Times to . . . Inventors the exclusive

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[58] *See, e.g.*, *O'Reilly v. Morse*, 56 U.S. 62, 112 (1853) (disallowing claim scope that covered undisclosed means on the grounds that, *i.a.*, it would deter future innovation).

Right to their . . . Discoveries."[59] Like few enumerated powers in Article I, Section 8, the Constitution grants the patent power only as the means to effect a desired end: "To promote the Progress of Science and Useful Arts."[60] As this Court recognized in construing the grammatically-similar Second Amendment, "[l]ogic demands that there be a link between the stated purpose and the command. . . Therefore . . . we will return to the prefatory clause to ensure that our reading of the operative clause is consistent with the announced purpose."[61]

Here, where the Court construes two statutes that affect nationwide implementation of Title 35, and thus Congress's chosen means to effect the purpose of the Patent Clause, it should ensure that its reading of the statutes "is consistent with [the] announced purpose."[62] The Constitution rarely requires the Court to consider a constitutional purpose when construing a statute. As the Court recognized in *Heller*, however, where a clause contains a purposive preamble, the Court cannot ignore it, but must give "a fair construction of the whole instrument."[63] Thus, the Court's review of congressional implementation of the Patent

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[59] U.S. Const. art. I, § 8, cl. 8.

[60] *Id.*

[61] *District of Columbia v. Heller*, 554 U.S. 570, 578 (2008); *see also id.* at 641–43 (Stevens, J., dissenting) (judging the Constitutionality of a challenged statute by first construing the prefatory, purposive clause of the Second Amendment); *id.* at 682–83 (Breyer, J. dissenting) (construing the Second Amendment's preamble because "[t]he Amendment must be interpreted and applied with that end in view") (internal citation omitted).

[62] *Heller*, 554 U.S. at 578.

[63] *McCulloch v. Maryland*, 17 U.S. (4 Wheat.) 316, 406 (1819).

Clause differs from its review of statutes implementing enumerated congressional powers with no purposive limitation. Congress may borrow money for any purpose, not merely to satisfy debts already incurred.[64] Its regulation of commerce need not "enact Mr. Herbert Spencer's Social Statics."[65] Congress's "uniform Rule of naturalization"[66] may promote family reunification,[67] or exclude those "likely to become a public charge."[68] When Congress declares war, the cause need not be just.[69] But when Congress authorizes a patent grant, the Constitution requires the grant and the "Laws . . . necessary and proper for carrying into Execution the [patent] power"[70] to "promote the Progress of Science and useful Arts."[71]

To ensure the Patent Act remains consistent with this express constitutional purpose, this Court has always excluded from it certain categories of subject matter. For this reason, "[p]henomena of nature, though just discovered, mental processes, and abstract intellectual concepts are not patentable, as they are the

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[64] *See, e.g.*, 127 Stat. 51, Pub. L. 113-3 (2013).

[65] *Harper v. Virginia State Bd. of Elections*, 383 U.S. 663, 669 (1966) (citing and vindicating Justice Holmes' dissent in *Lochner v. New York*, 198 U.S. 45 (1905)) ("We agree, of course, with Mr. Justice Holmes that the Due Process Clause of the Fourteenth Amendment 'does not enact Mr. Herbert Spencer's Social Statics.'").

[66] U.S. Const. art. I, § 8, cl. 4.

[67] *See, e.g.*, 79 Stat. 911, Pub. L. 89-236 (1965).

[68] Immigration Act, ch. 376, 22 Stat. 214 (1882).

[69] U.S. Const. art. I, § 8, cl. 11.

[70] U.S. Const. art. I, § 8, cl. 18.

[71] U.S. Const. art. I, § 8, cl. 8.

basic tools of scientific and technological work."[72] Recently reiterating this ban, the Court noted that "monopolization of those tools through the grant of a patent might tend to impede innovation more than it would tend to promote it."[73] The Court excludes from patentable subject matter "the basic tools of scientific and technological work," because "without this exception, there would be considerable danger that the grant of patents would tie up the use of such tools and thereby *inhibit future innovation premised upon them* . . . This would be at odds with the very point of patents, which exist to promote creation."[74]

In light of these concerns, this Court revisited the question of patentable subject matter in computer-implemented inventions in *Alice*. Since the *Alice* decision in June 2014, district courts routinely implement its two-part test to enforce the constitutionally-purposive subject matter exclusion, often as early as motions to dismiss under Fed. R. Civ. P. 12(b)(6). As described above,[75] that review occurs far less often in the Eastern District of Texas, despite that plaintiffs assert in that court a far higher percentage of patents whose subject matter reasonably leaves them open to *Alice* challenges.

The lower court's construction of the venue statutes has enabled the patent faction to protect the subject

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[72] *Gottschalk*, 409 U.S. at 67 (1972).

[73] *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66, 71 (2012).

[74] *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, __ U.S. __, 133 S. Ct. 2107, 2116 (2013) (emphasis added, internal citations and alterations omitted).

[75] *See supra* n. 24–25 and accompanying text.

matter of a class of internet, electronic communication, and e-commerce patents from judicial review. Because that subject matter review implements the constitutional purpose of the Patent Clause, if the Court finds any ambiguity in the text, it should adopt the construction that eliminates this potential infirmity and reinforces its many earlier decisions on the scope of patentable subject matter.[76] Here, the Petitioner's construction eliminates rather than engenders a nascent constitutional issue under the Patent Clause. Restoring Congress's stated venue preference will restore the Patent Act's proper purpose: to "Promote the progress of Science and Useful Arts."

CONCLUSION

Reaffirming 28 U.S.C. § 1400(b) as the sole congressional grant of patent venue will restore Congress's stated venue preference ***and*** the congressionally-recognized, constitutionally-mandated, Court-enforced public purpose of the Patent Act. It will divest from the faction the administration of an overwhelming fraction of certain patent litigation. And restoring Congress' expressed constraints on legally available venue in any individual patent suit will compel plaintiffs to broaden their election of venue, resulting in greater numbers of courts, judges, and jurors adjudicating patents. The text of 28 U.S.C. §§ 1391 and 1400 compels this change to available venue in patent cases. But, if the Court entertains any doubt, it should again consider Washington's Farewell Address:

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[76] *Gomez v. United States*, 490 U.S. 858, 864 (1989) ("It is our settled policy to avoid an interpretation of a federal statute that engenders constitutional issues if a reasonable alternative interpretation poses no constitutional question.").

> In all the changes to which you may be invited, remember that time and habit are at least as necessary to fix the true character of Governments, as of other human institutions; that experience is the surest standard, by which to test the real tendency of the existing Constitution of a country . . .

The sure standard of experience over the past two decades have tested the tendency of existing structures for adjudicating the nation's patents. They demonstrate that making nationwide venue available to plaintiffs results in concentrated venue in practice, allowing a factior to capture and privatize many of "the basic tools of scientific and technological work."[77] Contrary to the Constitution and the Patent Act, "monopolization of those tools through the grant of a patent . . . impede[s] innovation more than . . . promote it."[78] Only by properly construing the venue provisions of Title 28 to limit plaintiffs' choice of venue in patent suits can this Court restore Congress's intent for broad judicial involvement in patent adjudication, a constitutional limit on faction.

Respectfully submitted,

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[77] *Gottschalk*, 409 U.S. at 67 (1972).

[78] *Mayo*, 566 U.S. at 71.

RECORD AND BRIEFS

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No. 16-341

IN THE

Supreme Court of the United States

TC HEARTLAND, LLC,
D/B/A HEARTLAND FOOD PRODUCTS GROUP,
Petitioner,

v.

KRAFT FOODS GROUP BRANDS LLC,
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

AMICUS CURIAE BRIEF OF THE ORANGE COUNTY INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF THE PETITIONER

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INTEREST OF AMICUS CURIAE[1]

Amicus Curiae, the Orange County Intellectual Property Law Association ("OCIPLA"), is a non-profit organization founded in 1983 to serve the community of intellectual property law practitioners in and around Orange County, California. OCIPLA's diverse membership includes local, non-local and out-of-state intellectual property law practitioners. OCIPLA is open to all persons having an interest in intellectual property law, including attorneys, patent agents, inventors, investors, legal assistants, paralegals, educators, students and other persons. OCIPLA currently has 374 members from some 75 different firms, businesses and other institutions. One of the main functions of OCIPLA is to provide a sustained schedule of high-quality continuing legal education and professional development programs related to intellectual property practice for its members and non-members. As such, OCIPLA and its membership are familiar with the practical and legal concerns that are important to counsel and litigants in patent litigation.

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[1] This brief is filed with the consent of the parties. Counsel for Petitioner and counsel for Respondent consented to the filing of this brief via electronic mail sent to counsel for amicus curiae. No party, and no party's counsel, authored this brief in whole or in part. No person, other than amicus curiae and its counsel, paid for or made monetary contributions to fund the preparation or submission of this brief.

SUMMARY OF ARGUMENT

The proper interpretation of 28 U.S.C. section 1391 requires that it be considered in the context of the chapter of the United States Code pertaining to venue, including the patent venue provision in 28 U.S.C. section 1400(b). The Federal Circuit, in *VE Holding*, appears to have misconstrued the phrase "for purposes of venue under this chapter" in the 1988 amendment to Section 1391 by interpreting that phrase in isolation, without regard to the context of the statute, and against established Supreme Court authority recognizing the relationship between the general venue rule and the special rule for patent cases. This Court should reinstate the interpretation of Section 1391 articulated in *Fourco*.

This Brief discusses two important consequences that have resulted from the Federal Circuit's interpretation of Section 1391. First, it rendered the patent venue provision, Section 1400(b), logically inconsistent and practically meaningless—it might as well no longer exist. Second, a pattern has evolved in practice under the resulting permissive venue rules, whereby a disproportionate number of patent cases are filed in select districts that are attractive to patent plaintiffs—districts that in many instances would not have been available under a proper interpretation of the venue statutes.

The first consequence—the impact of the Federal Circuit's interpretation on the statute itself—demonstrates that the interpretation is incorrect and constitutes a proper basis for this

Court to overrule *VE Holding*. The second consequence—how lower courts and litigants have reacted to and implemented the Federal Circuit's venue ruling—reflects that that the ruling is unsound in light of the 2011 amendment to Section 1391. Case filing data from recent years demonstrates these practical consequences and offers some examples. While it is true that the words of the statute, taken in context, should control above all else, the real-world effects stemming from the second consequence provide important practical context for the statute's current operation. They also illustrate that the traditional purpose and structure of the patent venue statute, as recognized by previous rulings of this Court, has been largely ignored.

ARGUMENT

I. Properly Construed, 28 U.S.C. § 1400(b) is the Sole and Exclusive Provision Governing Venue in Patent Infringement Actions and Should Not be Supplemented by 28 U.S.C. § 1391 (c).

The Federal Circuit's interpretation of Section 1391(c), and its decision that Congress's minor change to Section 1391(c) incorporates it into Section 1400(b), are incorrect under basic canons of statutory construction.

In 1897, Congress adopted a patent venue statute—the predecessor of 28 U.S.C. section 1400(b). *See* Act of March 3, 1897, 29 Stat. 695 (which became Section 48 of the 1911 Judicial Code, 28 U.S.C. (1940 ed.) § 109). According to that statute, venue for patent infringement actions

existed "in the district of which the defendant is an inhabitant, or in any district in which the defendant, whether a person, partnership, or corporation, shall have committed acts of infringement and have a regular and established place of business." *Id.* In 1942, the Court confirmed that "Congress did not intend the Act of 1897 to dovetail with the general provisions relating to the venue of civil suits, but rather that it alone should control venue in patent infringement proceedings." *Stonite Prods. Co. v. Melvin Lloyd Co.*, 315 U.S. 561, 563 (1942).

In 1948, Congress enacted 28 U.S.C. section 1400(b), specifying that "patent venue is proper in *the* judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business." 28 U.S.C. § 1400(b) (1948) (emphasis added). Then, in 1957, relying on *Stonite*, the Supreme Court again confirmed that 28 U.S.C. section 1400(b) "is the sole and exclusive provision controlling venue in patent infringement actions [. . . and] it is not to be supplemented by the provisions of 28 U.S.C. section 1391(c)." *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222, 229 (1957). Congress has not amended Section 1400(b) since.

In 1988, Congress amended Section 1391. As amended, the section reads, in pertinent part, as follows:

> (c) *for purposes of venue under this chapter*, a defendant that is a corporation shall be deemed to reside in any judicial

> district in which it is subject to personal jurisdiction at the time the action is commenced . . . .

28 U.S.C. § 1391(c) (1988) (Judicial Improvements and Access to Justice Act, Pub. L. No. 100 702, 102 Stat. 4642 (1988) (codified at various sections of 28 U.S.C.) ("1988 Act") (emphasis added). In 1990, the Federal Circuit held that the 1988 amendment to Section 1391 meant Section 1391(c) "is to supplement section 1400(b)." *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1580 (Fed. Cir. 1990). The Federal Circuit also concluded that the 1988 amendment effectively overruled *Fourco. Id.*

In 2011, Section 1391(c) was amended again. The 2011 amendment eliminated from Section 1391(c) the phrase "*for purposes of venue under this chapter.*"

* * * *

It is well established that interpretation of statutes begins with the language of the statute. Courts should be guided not by "a single sentence or member of a sentence, but look to the provisions of the whole law, and to its object and policy." *John Hancock Mut. Life Ins. Co. v. Harris Trust & Sav. Bank*, 510 U.S. 86, 94-95 (1993) (quoting *Pilot Life Ins. Co. v. Dedeaux*, 481 U.S. 41, 51 (1987)). In this case, both the statutory language in its proper context and the well-recognized purpose of the statute indicate that venue under Sections 1391(c) and 1400(b) are independent principles.

This Court already examined the structure and purpose of Section 1391(c) in *Stonite*. The Court further recognized, in *Brunette Mach. Works, Ltd. v. Kockum Indus., Inc.*, 406 U.S. 706 (1972), that "Congress placed patent infringement cases in a class by themselves, outside the scope of general venue legislation." 406 U.S. at 713. Thus, *Stonite* and *Brunette* leave no doubt that Section 1391 is the general venue statute, while Section 1400(b) is a specific carve-out for patent cases.

In *VE Holding*, the Federal Circuit's opinion discussed many approaches to statutory interpretation, but ultimately its holding disregarded the clear purpose and structure of the venue statute outlined by this Court.[2] It runs afoul of the settled principle that, when Congress intends to change a regulatory scheme, it says as much. Congress "does not alter the fundamental details of a regulatory scheme in vague terms or ancillary provisions—it does not, one might say, hide elephants in mouseholes." *Whitman v. American Trucking Assns., Inc.*, 531 U.S. 457, 468 (2001) (internal citations omitted). Moreover, in 2011 Congress eliminated any "mouseholes" by removing the language of Section 1391 on which *VE Holding* relied.

The Federal Circuit held that the inclusion of the language "for purposes of venue under this

[2] A fundamental principle of interpreting any legal instrument, including statutes, is that the words of the text "and what they convey in their context" are of paramount concern. Antonin Scalia & Brian Garner, Reading Law: The Interpretation of Legal Texts 56 (2012).

chapter" in the 1988 amendment of Section 1391(c) incorporated that definition within Section 1400(b)'s grant of venue "in the judicial district where the defendant resides." *VE Holding*, 917 F.2d at 1575. In doing so, the Federal Circuit did not acknowledge that even the version of Section 1391(c) in 1957 already included the phrase "for venue purposes." The minor textual change in the 1988 amendment simply does not support a wholesale rejection of 90 years of statutory and judicial precedent establishing that the sections operate independent of one other.

Moreover, the Federal Circuit's interpretation of Section 1391(c) would render Section 1400(b) virtually redundant. In its analysis, the Federal Circuit left unanswered an important question: If Congress intended to change the patent venue statute, then why, after repeated amendments to Section 1391(c), does Section 1400(b) recite that "patent venue is proper in the judicial district where the defendant resides, *or* where the defendant has committed acts of infringement *and* has a regular and established place of business"? 28 U.S.C. § 1400(b) (emphasis added). If "resides" means having an "established place of business," then there would be no reason for the conjunction "or" between the two phrases. The word "resides" in its statutory context must mean something other than "having an established place of business."

II. The Federal Circuit's Construction of 28 U.S.C. § 1400(b) Has Led to a Concentration of Cases In Patentee-Preferred Venues.

As the venue statutes are currently applied by the Federal Circuit, the number of new patent cases filed in certain districts throughout the country has drastically outpaced other districts, resulting in notable disproportionality between districts.[3] Chart 1, below, shows the number of new patent cases filed in the eight busiest patent venues in recent years. Although this consequence should not influence the Court's interpretation of the patent venue statute itself, these real-world effects provide background for how the venue statute operates in practice under the Federal Circuit's interpretation of the statue.

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[3] It does not necessarily follow that there is anything improper in lawyers or litigants choosing, consistent with current Federal Circuit precedent, to file patent infringement cases in the most advantageous venue.

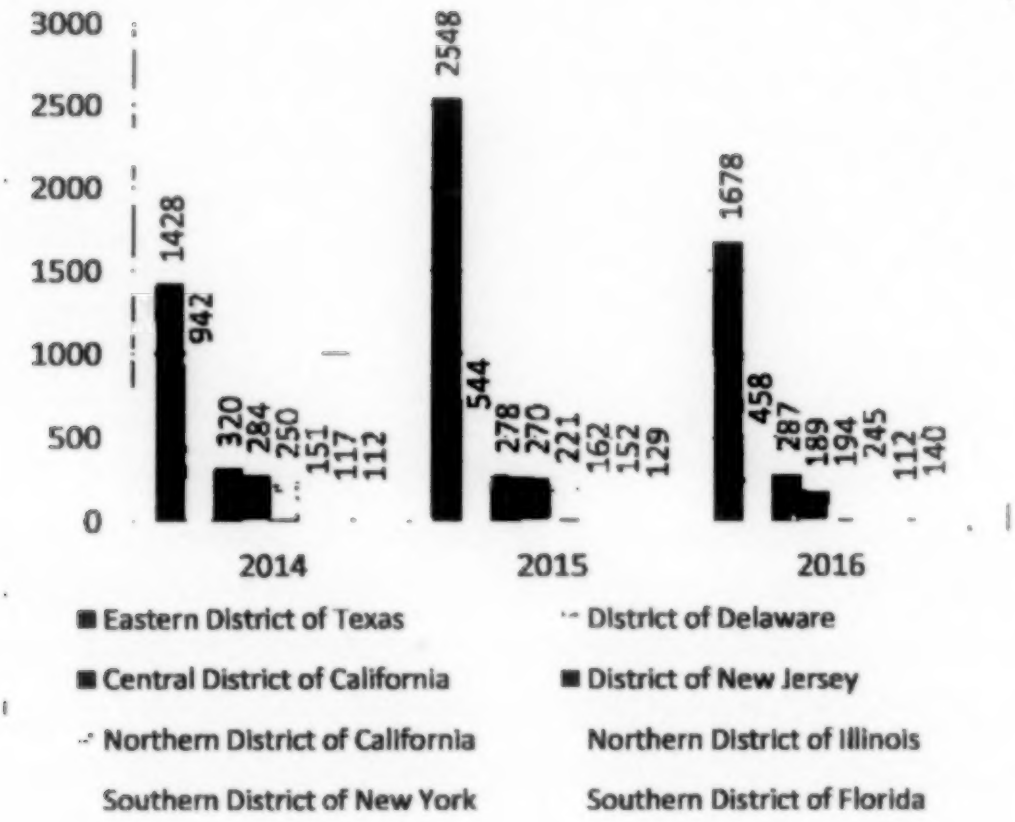

Chart 1. Top Eight Districts by Number of Patent Case Filings.

The impact of this disparity in total patent case filings comes into further focus when analyzed against the number of authorized judgeships per district. Congress authorizes a set number of permanent and temporary judgeships in each judicial district. *See* 18 U.S.C. § 133. For instance, three judges are allotted for each of the Districts of Alaska and Wyoming, whereas the Central District of California is allotted 27 judges, and the Southern District of New York, 28. *Id.* In periodic revisions to Section 133, Congress has adjusted the allotment of judgeships over time in response to changes in population, caseloads and other factors. While it is

not an ideal measure of the expected distribution of patent cases, the number of authorized judgeships per district is, broadly speaking, an objective reflection of the legislature's allocation of judicial resources across the district courts. Thus, it serves as a useful benchmark against which to compare patent case filings.

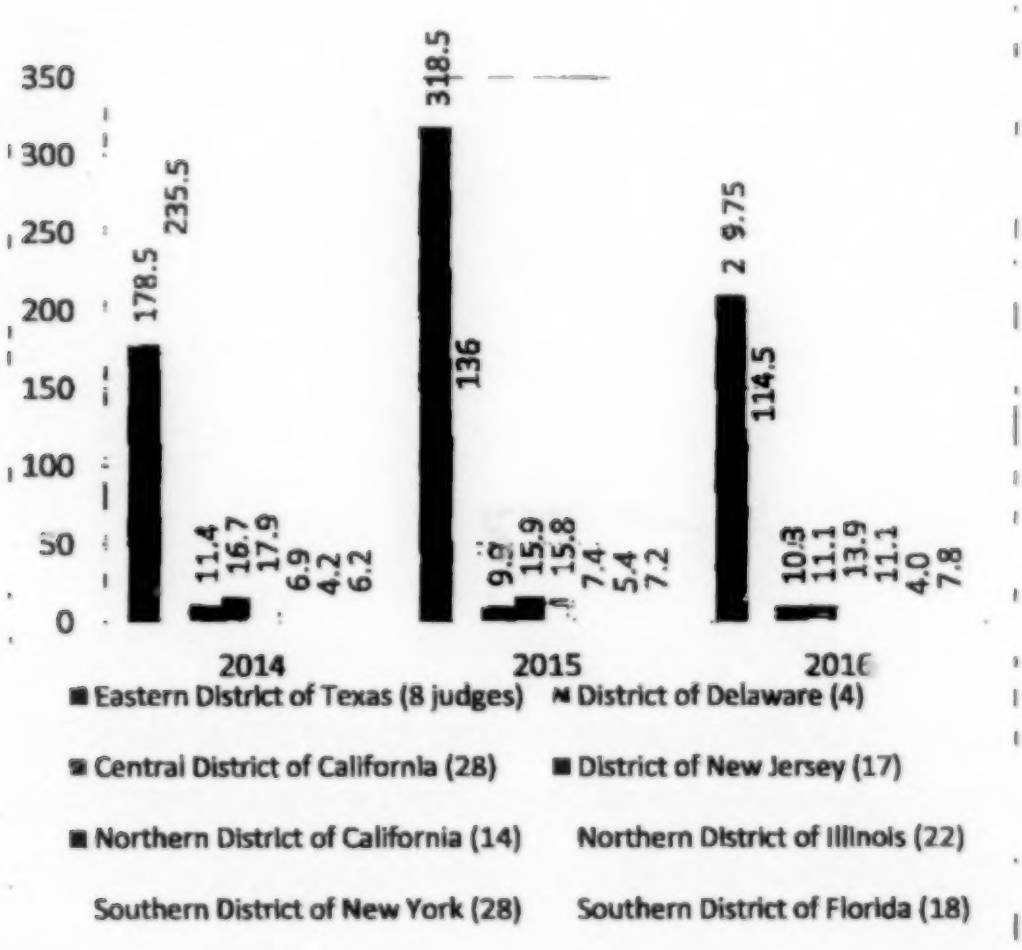

Chart 2. Ratio of New Patent Cases per Judge.

Chart 2 shows the number of new patent cases filed per authorized judge in the eight districts with

the most patent filings in recent years.[4] Even among the eight districts boasting the most patent cases, the District of Delaware and the Eastern District of Texas have over ten times more patent cases filed per judgeship than any other district.

For example, the Eastern District of Texas has seen an average of 2272% more patent cases filed per judge than the district with the third most cases, the Central District of California, over the last 3 years (1562%, 3208%, and 2046% from 2014 to 2016 respectively). As another data point, the Eastern District of Texas has had an average of 2936% more cases per judge than the seventh busiest patent district, the Northern District of Illinois, over the last 3 years (2601%, 4325%, and 1883% respectively).

According to Docket Navigator's Year in Review 2015, 74.6% of all new patent cases filed that year were filed in these eight districts.[5] DocketNavigator Analytics, *2015 Year In Review* 19 (2016), *available at* http://home.docketnavigator.com/year-review/. Thus, the current application of patent venue rules

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[4] These figures include both permanent judgeships and temporary judgeships, as the temporary judgeships in the Eastern District of Texas, Central District of California, and Southern District of Florida have been extended through the past three years. See "Chronological History of Authorized Judgeships - District Courts", available at <http://www.uscourts.gov/>, last accessed January 27, 2017.

[5] For the remaining districts that are not shown in Charts 1 and 2 above, the total number of patent cases is just a fraction of the high-volume districts.

has concentrated patent cases in plaintiff-favored districts at a rate drastically out of proportion with the Congressional allocation of judicial resources.

III. The Disproportionate Concentration of Patent Cases in Certain Districts Results in High-Volume Courts Exercising *De Facto* Policy Making Authority.

The Federal Circuit's current interpretation of patent venue rules has resulted in a high concentration of patent cases in a small number of courts. Consequently, just a few courts control the vast majority of patent cases nationwide. One result of that development is that local norms and practices, especially those in venues that are attractive to patent plaintiffs, can become *de facto* patent policy.

For good reason, many of the decisions that impact the parties in patent cases are left to the discretion of the individual district judge or the application of local rules. *See PPG Indus., Inc. v. Celanese Polymer Specialties Co.*, 840 F.2d 1565, 1571–72 (Fed. Cir. 1988) (quoting Judge Friendly in *Indiscretion about Discretion*, 31 Emory L.J. 747, 763 (1982)). Although local rules are important tools for setting a court's rules of practice and procedures, the trial court's rulings on case management, discovery, admission of evidence, and injunctions, among others, are rarely reversed because they are subject to the lenient abuse of discretion standard. *See Triple Tee Golf, Inc. v. Nike, Inc.*, 485 F.3d 253, 265 (5th Cir. 2007); *see generally* Kevin Casey et. al., *Standards of*

Appellate Review in the Federal Circuit: Substance and Semantics, 11 FED. CIR. Bar J. 279 (2002). Thus, for many of the procedural, evidentiary, and case management issues, there is little meaningful opportunity for appellate review.

Motions to transfer venue provide a telling example of local policies and norms that differ from court to court, and for which a party has virtually no right to review. TC Heartland's experience in the trial court illustrates this dynamic. The denial of TC Heartland's motion to transfer could be corrected only by a writ of mandamus, which required the petitioner to show an abuse of discretion and that the right to relief is "clear and indisputable." *Cheney v. U.S. Dist. Court for the Dist. of Columbia*, 542 U.S. 367, 380-81 (2004). With such a forgiving standard of review, a defendant cannot reasonably expect an erroneous ruling on a motion to transfer to be reversed.

Moreover, the high concentration of patent cases in the most popular districts can leave defendants with meritorious motions to transfer in limbo for inordinate amounts of time. Data compiled using the patent litigation analysis tools available through Docket Navigator show that, for the eight-year period between 2008 and late 2016, not only was there a difference in the proportion of motions to change venue that were granted, there were in some instances dramatic differences in the

time to receive a ruling on a motion to transfer from one district to the next.[6]

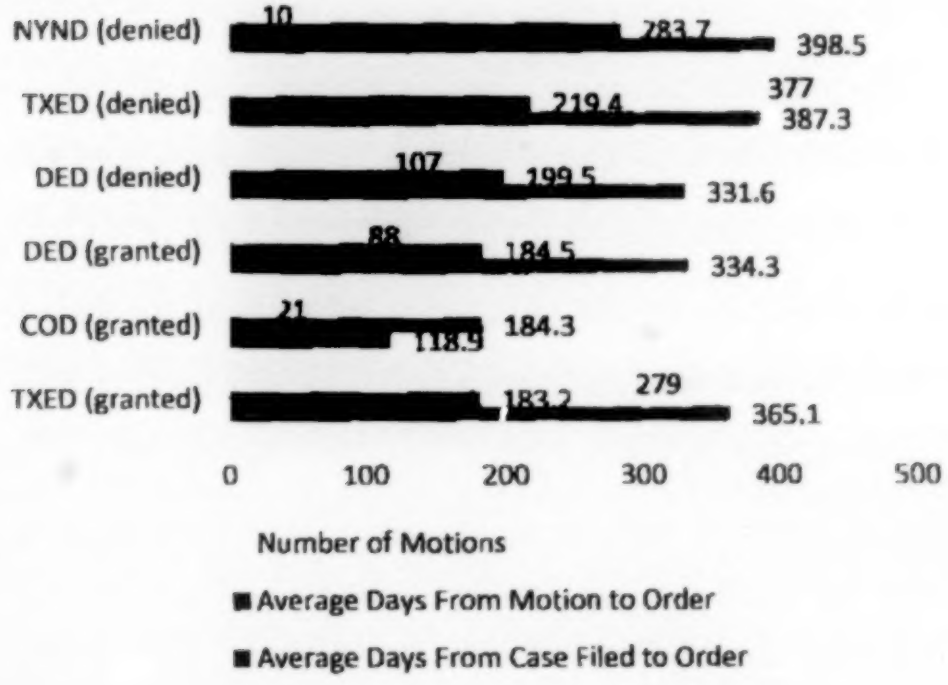

Chart 3. Longest Time to Venue Rulings.

As demonstrated in Chart 3, in some districts, even meritorious transfer motions—i.e., those that are eventually granted—waited six months, on average, for adjudication. And in those instances, the case may have been pending in the wrong district for a year or longer before it was transferred. It appears from the data that the increased patent caseloads in the busiest districts—the Eastern District of Texas and the District of

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[6] Steve Brachman, *Transferring Venue: How Long Is This Gonna Take?* Patent Infringement Blog (Jan. 17, 2017), http://docketreport.blogspot.com/2017/01/transferring-venue-how-long-is-this.html (last visited February 2, 2017).

Delaware—may have led to significant delays in ruling on motions to transfer. But other courts—the District of Colorado and the Northern District of New York—that do not even rank among the eight busiest patent districts on Chart 1, nevertheless are among the slowest to rule on motions to transfer. The slow pace for these districts shown in Chart 3 may inform how courts manage their cases or prioritize the motions. However, the concentration of the majority of patent cases in two of the slowest districts means that slow rulings on transfer motions become the *de facto* policy for most patent litigations nationwide.

In contrast, Chart 4 shows that other districts typically rule on motions to transfer much more promptly. The rulings are issued more quickly after the motion is filed, and they are issued earlier relative to when the case was filed.

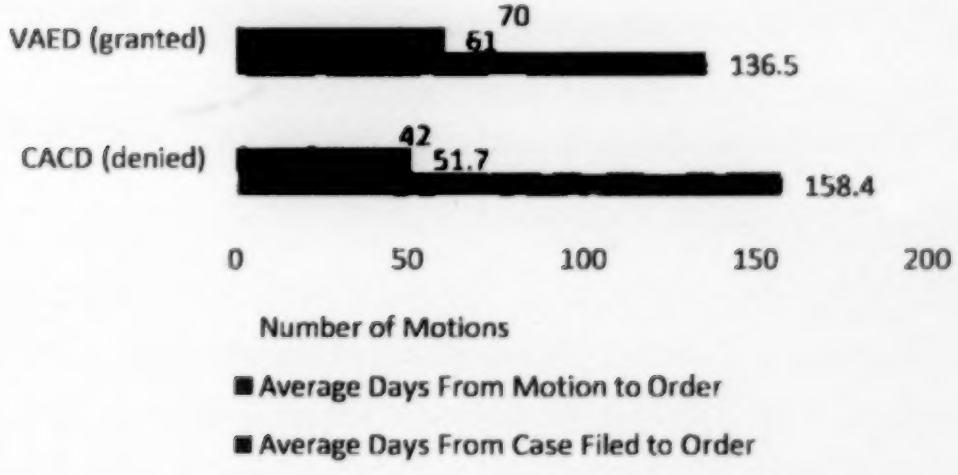

Chart 4. Shortest Time to Venue Rulings.

IV. The Federal Circuit's Interpretation of the Patent Venue Statue Negatively Impacts Parties Across Various Industries.

Some companies, especially in certain industries, are frequent targets of patent infringement suits. For a selection of companies that are frequently named as defendants in patent suits, the chart below illustrates the venues in which they have been sued over the past three years.[7] Although it is a small sampling, the chart is demonstrative of the effect of the Federal Circuit's decision in *VE Holding* on patent venue. It stands to reason that if *Fourco* is reinstated, and under Section 1400(b) corporations "reside" only where incorporated, the venues available to patent plaintiffs to sue the majority of these companies would be much more restricted. This is particularly true here because none of the companies in this sampling are incorporated in or have their principal place of business in Texas.

---

[7] The values in Chart 5 are from case searches and analytics from DocketNavigator. *See* DocketNavigator Analytics, http://home.docketnavigator.com/overview/analytics/. The place of incorporation and place of business is based on public records database on LexisNexis®.

Entity	Place of Incorporat'n (State)	Principal Place of Business (State)	Number of Cases as Defendant in 2014-2016				
			ED Tex	D Del	CD Cal	ND Cal	Other
Adobe Systems	Del.	Cal.	3	2	0	3	2
ASUS	Cal.	Cal.	33	7	3	5	10
Dropbox	Del.	Cal.	8	3	0	0	1
eBay	Del.	Cal.	5	2	3	4	9
Google	Del.	Cal.	22	13	1	6	10
HP*	Del.	Cal.	39	9	7	1	14
HTC America	Wash.	Wash.	42	9	1	5	15
Macy's	Del.	Ohio	8	3	1	0	3
SAP America	Del.	Penn.	10	2	0	0	0
Xilinx	Del.	Cal.	2	4	0	0	0
* HP Inc. and related entities							

Chart 5. Frequent Corporate Defendants in Patent Cases.

Notably, the data in Chart 5 indicates, if only anecdotally, that Delaware-incorporated defendants are being sued quite frequently in venues other than the District of Delaware. If the Court reinstates the *Fourco* interpretation of Section 1400(b), it is possible that the disproportionate concentration of patent cases in Delaware could be exacerbated, or high concentrations could develop in other states where companies choose to incorporate. Under the *Fourco* interpretation, defendants can exercise at least some degree of control over the venues in which they are subject to suit by choosing where to incorporate and where to locate their businesses. If the proper interpretation of the venue statutes results in an undesirable

concentration of patent cases, any corrective changes and other policy preferences should be left to the legislature.

CONCLUSION

The Court should reverse the decision of the Court of Appeals, and remand with instructions to grant the requested writ of mandamus.

Respectfully submitted,

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No. 16-341

IN THE

Supreme Court of the United States

TC HEARTLAND LLC, D/B/A HEARTLAND FOOD PRODUCTS GROUP,

Petitioner,

v.

KRAFT FOODS GROUP BRANDS LLC,

Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF THE PHARMACEUTICAL RESEARCH AND MANUFACTURERS OF AMERICA (PhRMA) AS *AMICUS CURIAE* IN SUPPORT OF RESPONDENT

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INTEREST OF *AMICUS CURIAE*[1] AND SUMMARY OF ARGUMENT

The Pharmaceutical Research and Manufacturers of America (PhRMA) is a voluntary, nonprofit association representing the nation's leading research-based pharmaceutical and biotechnology companies. PhRMA members' research and development (R&D) efforts produce the innovative medicines, treatments, and vaccines that save, prolong, and improve the quality of the lives of countless individuals around the world every day. From 2000 to 2015, PhRMA members obtained approval for over 550 new medicines and invested over half a *trillion* dollars in R&D. In 2015 alone, PhRMA members' R&D expenses exceeded an estimated $58.8 billion—or roughly one quarter of total domestic sales of pharmaceuticals. PhRMA seeks to protect these significant financial investments by supporting public policies that foster, reward, and protect innovation. To that end, PhRMA frequently participates as an *amicus* in cases that affect the pharmaceutical industry and particularly those that involve important issues affecting intellectual property and protecting patent rights.

This is one of those cases. Since Congress amended the relevant statutory provisions in 1988—and again in 2011—it has been clear that an infringement claim against a corporate defendant may be brought in any district where the company is subject to personal jurisdiction. 28 U.S.C. §§ 1391(c)(2), 1400(b). Section

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[1] Pursuant to Rule 37.6, PhRMA affirms that no counsel for a party authored this brief in whole or in part and that no person other than PhRMA, its members, or their counsel made a monetary contribution intended to fund the preparation or submission of this brief. Pursuant to Rule 37.3(a), counsel of record for both parties have consented to the filing of this amicus brief.

1391(c) *defines* residency as coterminous with personal jurisdiction for "all venue purposes." There is nothing in the structure or history of the statute or in any interpretive canon that supports Petitioner's attempt to avoid the straightforward reading of these provisions.

Petitioner and its *amici*, however, do not like the regime that Congress has twice enacted, largely because an extraordinary number of patent lawsuits are filed in a single district court in Texas. But that *policy* concern cannot legitimately override Congress's statutory text. Worse still, the policy concerns that animate Petitioner and its *amici* simply ignore the many reasons why *changing* the current statutory regime would lead to chaotic results that Congress could not possibly—and plainly did not—intend. Because Congress has legislated in the face of such policy concerns and made a decision, any change to that decision—if there is one—ought to come from Congress, not the courts.

One glaring illustration of the problems posed by the regime Petitioner advocates is litigation over Abbreviated New Drug Applications (ANDAs), which is governed by the Hatch-Waxman Act. Among that statute's carefully crafted balances is a process through which generic drug makers can piggyback on patent holders' expensive clinical testing efforts and, simultaneously, force accelerated litigation over the relevant patents. In particular, ANDA filings incentivize generic companies to allege that the innovators' patents are invalid, unenforceable, or would not be infringed by the proposed generic. 21 U.S.C. § 355(j)(2)(A)(vii)(IV). The statute then creates "a highly artificial act of infringement that consists of submitting an ANDA ... that is in error as to whether commercial manufacture, use, or sale of the new [ge-

neric] drug (none of which, of course, has actually occurred) violates the relevant patent." *Eli Lilly & Co.* v. *Medtronic, Inc.*, 496 U.S. 661, 678 (1990); see also 35 U.S.C. § 271(e)(2). Bringing such a "highly artificial" infringement claim in a timely manner automatically stays generic approval for up to 30 months to allow for expeditious resolution of the dispute.

These ground rules effectively invert the normal litigating posture by allowing the would-be infringer to trigger a lawsuit. ANDA filings overtly initiate conflict with patent holders, and yet the filing generic companies almost always wind up as defendants in these cases because the innovator manufacturer has little practical choice but to sue to protect its patents. The Hatch-Waxman Act's particular definition of infringement thus repositions patent holders from defendants in a declaratory judgment action to plaintiffs in name only.

The current venue provisions fully and fairly accommodate the features of ANDA litigation. Approval of a new, patented medicine is regularly followed by multiple ANDAs—sometimes more than a dozen—all challenging the innovating manufacturer's patents. However, inventors can usually consolidate the ensuing and virtually identical litigation into a single district, yielding obvious and substantial economies. Ordinarily, there is at least one venue in which each patent challenger is subject to personal jurisdiction. The availability of a single forum allows for coordination of discovery and briefing and conserves judicial resources, thereby upholding a fundamental purpose of procedural law: "to secure the just, speedy, and inexpensive determination of every action and proceeding." Fed. R. Civ. P. 1.

Petitioner TC Heartland and *amicus* Generic Pharmaceutical Association (GPhA) nevertheless ask

this Court to supplant Congress's definition of "reside" with a just-for-patent-law definition that would force pharmaceutical patent holders to chase ANDA filers all over the country. The result would be redundant litigation over the same drug, which serves no purpose except to invite harassment, enable and encourage inconsistent results, and waste the innovator's time and resources. ANDA filings represent the generic companies' request for approval to sell a drug *nationwide*, yet the generic companies argue that venue is not proper wherever personal jurisdiction exists over them. GPhA Br. 3, 10–11. GPhA's unhappiness with recent decisions concerning the scope of personal jurisdiction in ANDA litigation, *id.*, does not remotely justify contorting the plain language of the venue statute to guarantee cumbersome and wasteful litigation.

At bottom, this case is nothing more than a request for an ill-conceived, one-size-fits-all judicial end-run around existing legislative policy decisions. If there is any change to the venue rules—and there should not be—Congress is the branch properly suited to weigh the many complex considerations at play and is, indeed, already well aware of these very issues. Because Petitioner's and GPhA's preferred result is irreconcilable with the text, structure, and history of the statutes and would lead to harmful and wasteful consequences, the Court should affirm.

ARGUMENT

Through amendments enacted over recent decades, Congress has expanded venue options in suits against corporate defendants, bringing clarity while ensuring a baseline of fairness. See, *e.g.*, 14D Charles A. Wright & Arthur R. Miller et al., *Federal Practice and Procedure* § 3802, at 37 (4th ed. 2013) (Congress

has "nearly eliminate[d] venue as a separate restriction in cases against corporations"). Petitioner wants a different rule—one that returns to a patent-specific venue standard long ago abrogated by Congress. See *Fourco Glass Co.* v. *Transmirra Prods. Corp.*, 353 U.S. 222 (1957). This textually unsupported proposal would result in duplication and waste throughout high-stakes ANDA litigation. The Court should reject it.

I. SECTION 1391(C)'S DEFINITION OF RESIDENCY EXPRESSLY APPLIES TO PATENT INFRINGEMENT LITIGATION.

Certain groups principally concerned about cases concentrated in the Eastern District of Texas have mounted a campaign to convince federal courts that §§ 1391(c) and 1400(b) mean something very different from what they say.[2] But the arguments behind that campaign are hollow: they avoid the plain text and rest on canons of statutory construction that have no applicability to the provisions as they exist today.

A. The Statutes' Meaning Is Clear.

The plain meaning of §§ 1391(c) and 1400 is more than sufficient to dispose of this case. Section 1391(c) provides that, "[f]or *all* venue purposes," a corporate

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[2] *See, e.g.*, *Script Sec. Sols. L.L.C.* v. *Amazon.com, Inc.*, 170 F. Supp. 3d 928, 930–34 (E.D. Tex. 2016); *Gro Master, Inc.* v. *Farmweld, Inc.*, 920 F. Supp. 2d 974, 985–87 (N.D. Iowa 2013); *Saint-Gobain Calmar, Inc.* v. *Nat'l Prods. Corp.*, 230 F. Supp. 2d 655, 657–58 (E.D. Pa. 2002); *Haddad Bros.* v. *Little Things Mean A Lot, Inc.*, No. 00CIV.0578, 2000 WL 1099866, at *6–7 (S.D.N.Y. Aug. 4, 2000); *PKWare, Inc.* v. *Meade*, 79 F. Supp. 2d 1007, 1017–18 (E.D. Wis. 2000); *Braden Shielding Sys.* v. *Shielding Dynamics of Tex.*, 812 F. Supp. 819, 821 (N.D. Ill. 1992); *Kinetic Inst., Inc.* v. *Lares*, 802 F. Supp. 976, 987–88 (S.D.N.Y. 1992); *Injection Research Specialists* v. *Polaris Indus., L.P.*, 759 F. Supp. 1511, 1512–16 (D. Colo. 1991).

defendant shall be deemed to reside "in any judicial district in which such defendant is subject to the court's personal jurisdiction with respect to the civil action in question." 28 U.S.C. § 1391(c)(2) (2012) (emphasis added). For patent infringement cases, § 1400(b) then provides that venue is proper "in the judicial district where the defendant resides." *Id.* § 1400(b). Together, these statutes mean that a corporate defendant in a patent infringement case "resides" in any district where it is subject to personal jurisdiction. Since Congress first amended the relevant provisions in 1988, that has been the rule, and it was reaffirmed once again in the decision below. See also Resp. Br. 18–22.

B. There Is No General-Versus-Specific Interpretation At Issue.

Hoping to leverage this Court's sixty-year-old, superseded decision in *Fourco Glass Co.* v. *Transmirra Products Corp.*, 353 U.S. 222 (1957), Petitioner asserts that the question presented is "the same as the issue decided in *Fourco*: Whether 28 U.S.C. § 1400(b) ... is not to be supplemented by 28 U.S.C. § 1391(c)." Pet. Br. i. And Petitioner later insists that the Court should continue to apply the "specific" provision of § 1400(b) over the "general" provision of § 1391(c), as it did in *Fourco*. *Id.* at 26–28.

This formulation, however, ignores the fundamental differences between § 1391 in 1952 and § 1391 today. The version of § 1391(c) at issue in *Fourco* was a substantive provision, specifying where a defendant "may be sued." 28 U.S.C. § 1391(c) (1952). That provision thus "specifically dealt with" the same issue as § 1400(b), which provided for (and still does) where a patent infringement action "may be brought." See *Fourco*, 353 U.S. at 223, 228. Faced with such a conflict—two statutes providing differing answers as to

where a lawsuit "may be" brought—this Court applied the more specific provision in § 1400(b) over the general substantive provision in § 1391(c). *Id.* at 228–29.

Congress subsequently eliminated the conflict that animated *Fourco* when it undertook "significant" revisions to § 1391 in 1988 and again in 2011. 14D Wright & Miller, *supra*, § 3802, at 36–37, 42–44. Through these amendments, § 1391(c) is now "purely definitional." Paul R. Gugliuzza & Megan M. La Belle, *The Patently Unexceptional Venue Statute*, 66 Am. L. Rev. (forthcoming 2017) (manuscript copy at 10). The statute no longer purports to delimit where a corporation "may be sued" but instead defines where a corporation "shall be deemed to reside." 28 U.S.C. § 1391(c)(1) (2012). Although *other* subsections of § 1391 still provide for substantive venue rules, including § 1391(b), which broadly concerns where "[a] civil action may be brought," § 1391(c) does not. And because § 1400(b) does not purport to define corporate "reside[ncy]," there is no conflict with § 1391(c); the latter simply fits hand in glove with the former.

Petitioner's citation to *Radzanower* v. *Touche Ross & Co.*, 426 U.S. 148, 153 (1976), for the contention that the "specific" provision of § 1400(b) governs the "general" provision of § 1391(c), Pet. Br. 26–28, thus rests on a fundamental misunderstanding of what those provisions currently say. *Fourco* itself recognized that a "substantive change in that statute" could lead to a different result. 353 U.S. at 225. And that is precisely what happened: Congress "substantive[ly]" changed § 1391(c) in 1988 when it recast that statute as a definitional provision.[3]

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[3] Petitioner's view would also nullify the "[f]or purposes of this chapter" language enacted in 1988. That version of Chapter 87

Indeed, even before the 1988 amendments, this Court recognized that § 1400(b) is more "specific" than § 1391 only to the extent that the two statutes directly collide. In *Brunette Machine Works, Ltd.* v. *Kockum Industries, Inc.*, a U.S. corporation sued a Canadian corporation for patent infringement in Oregon. 406 U.S. 706, 707 (1972). The patentee asserted that venue was proper under 28 U.S.C. § 1391(d) (1972), which at the time provided "[a]n alien may be sued in any district." Relying on *Fourco*, the accused infringer argued that the provisions of § 1391 had no effect in patent infringement cases. This Court disagreed, holding that § 1391(d) was not "derived from the general venue statutes that § 1400(b) was intended to replace" but expressed "a principle of broad and overriding application" not contemplated by § 1400(b). *Brunette*, 406 U.S. at 713. So too here: because the conflict between §§ 1391(c) and 1400(b) no longer exists, the former's "broad and overriding" definition of residency applies to the use of that term in the latter.

C. The Statutory Text Provides A Clear Statement Of Congressional Intent.

Petitioner also argues that *Fourco*'s limitation on § 1391(c) should control because Congress did not make sufficiently clear its intention to abrogate

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used the term "resident," "residence," or "reside" 11 times outside of § 1391. *See* 28 U.S.C. §§ 1395(e), 1396, 1397, 1398, 1400(a) & (b), 1402(a)(1) & (b), 1408(1), 1409(b) (1988). These are all specific venue provisions governing matters like forfeiture of a vessel and bankruptcy. If specificity in other provisions precluded application of § 1391(c)'s definition, it would mean that § 1391(c) does not apply to *any* specific venue statute in Chapter 87 outside of § 1391, rendering meaningless the words "[f]or purposes of this chapter." The words of a statute, however, "cannot be meaningless, else they would not have been used." *United States* v. *Butler*, 297 U.S. 1, 65 (1936).

Fourco. Pet. Br. 28–31. That argument is based in part on the absence of any legislative history expressly stating Congress's intention concerning the fate of *Fourco*. See, *e.g.*, Pet. 4 ("[T]he legislative history of the 1988 Act gave no indication of any congressional intent to change the patent case venue statute.").

The task at hand, however, is "to apply the statute, not legislative history, and certainly not the absence of legislative history." *Chisom* v. *Roemer*, 501 U.S. 380, 406 (1991) (Scalia, J., dissenting). And sure enough, the statute and its amendment history provide the clear statement for which Petitioner claims to be searching. The 1988 revisions applied a new definition of residency "[f]or purposes of venue *under this chapter*." 28 U.S.C. § 1391(c) (1988) (emphasis added). That enactment was much broader than the initial proposal to define residency only "[f]or the purposes of Subsections (A) and (B)" of § 1391. Alan B. Rich et al., *The Judicial Improvements and Access to Justice Act: New Patent Venue, Mandatory Arbitration and More*, 5 High Tech. L.J. 311, 318 (1990) (emphasis omitted) (quoting Memorandum from Judge William W. Schwarzer (Feb. 22, 1985)). "[T]his chapter," of course, means Chapter 87, which includes § 1400.

The 2011 amendment then *broadened* the applicability of § 1391(c), from "[f]or purposes of venue under this chapter" to "[f]or *all* venue purposes." 28 U.S.C. § 1391(c) (2012) (emphasis added). As the House Report for the 2011 amendments noted, the revised § 1391(c) would apply "[u]niversally" to "all venue statutes, including venue provisions that appear elsewhere in the United States Code," whereas the 1988 version applied only "for purposes of venue under Chapter 87." H.R. Rep. No. 112-10, at 20 (2011).

These enactments are clear-cut, and Congress's failure specifically to cite *Fourco* is no reason to discard the plain meaning of the statutory scheme. Congress, moreover, has been well aware of perceived forum-shopping concerns for a long time. See, *e.g.*, Pet. Br. 14–15 (citing a 2006 *New York Times* article describing the rise in patent litigation in the Eastern District of Texas). The issues were well-publicized in 2011, when Congress passed the most significant changes to the U.S. patent system in generations *and* made substantive changes to venue rules. See Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011); Federal Courts Jurisdiction and Venue Clarification Act of 2011, Pub. L. No. 112-63, 125 Stat. 758. But Congress did not change the patent venue rules then, and it has considered but not enacted numerous proposals to amend the rules since. See, *e.g.*, Resp. Br. 57–58 (citing recent legislation to address patent forum shopping). In fact, just a couple of weeks ago, Senator Hatch—namesake of the Hatch-Waxman Act—reiterated that Congress will continue to study the issue notwithstanding the pendency of this case. Press Release, Orrin Hatch, Hatch Unveils Innovation Agenda for the 115th Congress (Feb. 16, 2017), http://www.hatch.senate.gov/public/index.cfm/2017/2/hatch-unveils-innovation-agenda-for-the-115th-congress. In short, Congress has provided a clear statement about patent venue rules in the statutory text, and, until Congress provides a different clear statement, that text (not *Fourco*) governs.

II. JUDICIALLY AMENDING THE VENUE STATUTES WOULD LEAD TO WASTEFUL AND REPETITIVE ANDA LITIGATION.

The not-so-subtle subtext of this case is the perceived problem of forum shopping in one type of patent litigation. See, *e.g.*, Pet. Br. 14–16; Intel Br. 24–

29; Texas Br. 7–15. PhRMA takes no position on the merits of these policy concerns in the abstract, but PhRMA does take issue with Petitioner's proposed blunt-instrument solution to a nuanced issue that would replace one perceived policy problem with a host of others. In the specific context of ANDA litigation, Petitioner's judge-made rule would mean dispersing parallel litigation over a single branded medicine to dozens of district courts nationwide. See also AIPLA Br. 9–10 (detailing problems proposed rule would cause for copyright litigation).

A. Innovating Pharmaceutical Companies Rely On ANDA Litigation To Protect Their Astronomical R&D Investments.

1. Biopharmaceuticals represent the most R&D-intensive sector of the U.S. economy. To discover new and innovative medicines, the industry invests on average six times more in R&D as a percentage of sales than all other manufacturing industries. Since 2000, PhRMA members alone have invested over half a *trillion* dollars in R&D, including nearly $60 billion in 2015. PhRMA, *2016 Biopharmaceutical Research Industry Profile* 47 (2016), http://phrma-docs.phrma.org/sites/default/files/pdf/biopharmaceutical-industry-profile.pdf.

The leading driver of these costs is the long process required to obtain FDA approval to market a new drug. That entails, among other things, preclinical testing, animal studies, and at least three phases of clinical trials. If those tests show that a compound is safe and effective, the next step is to submit a New Drug Application (NDA). In addition to providing testing results, manufacturing plans, and labeling proposals, the NDA must list any patents that "could reasonably be asserted if a person not licensed by the owner engaged in the manufacture, use, or sale of the

drug." 21 U.S.C. § 355(b)(1). If FDA scientists approve the NDA, the agency lists those patents in a publication called the Orange Book.

The drug development process is lengthy, expensive, and replete with potential for failure. The average time between drug discovery and FDA approval is 10 to 15 years. Gail A. Van Norman, *Drugs, Devices, and the FDA: Part 1*, 1 JACC: Basic to Translational Science 170, 171 (2016). The total cost of pre-approval R&D is estimated at nearly $2.6 billion on average (2013 dollars). Joseph A. DiMasi et al., *Innovation in the Pharmaceutical Industry: New Estimates of R&D Costs*, 47 J. Health Econ. 20, 25–26 & fig.2 (2016). And despite these enormous outlays, approval is hardly a guarantee: just 11.8% of drugs that enter clinical trials receive FDA approval. *Id.* at 23. Moreover, for every ten drugs that are ultimately approved, roughly two actually produce revenues that exceed average R&D costs. John A. Vernon et al., *Drug Development Costs When Financial Risk is Measured Using the Fama–French Three-Factor Model*, 19 Health Econ. 1002 (2010).

2. The path of the would-be generic manufacturer is much easier. Its version of the NDA is "abbreviated" and allows the generic to bypass preclinical and clinical testing simply by showing bioequivalence to an approved pioneer medicine. 21 U.S.C. § 355(j)(2)(a)(iv). An ANDA filer must also certify how marketing the drug will affect any patents listed in the Orange Book. There are four choices, but the most well-known and potentially lucrative is the so-called "Paragraph IV" certification, through which the applicant claims that the patents are invalid, unenforceable, or not infringed. *Id.* § 355(j)(2)(a)(vii). The first generic applicant to file a substantially complete ANDA and make such a certification re-

ceives a 180-day exclusivity period against later applicants. *Id.* § 355(j)(5)(B)(iv).

That exclusivity period provides a significant incentive that encourages the filing of ANDAs. Generic manufacturers can make 60 to 80 percent of their total profits in the six-month exclusivity period. See Daniel F. Coughlin & Rochelle A. Dede, *Hatch-Waxman Game-Playing from a Generic Manufacturer Perspective*, 25 Biotech L. Rep. 525, 525–26 (2006). And even for manufacturers who are not the first to file an ANDA, there remain incentives to file an ANDA containing a Paragraph IV certification—for example, either to benefit from a ruling on invalidity or to be next in line in the event the first ANDA is withdrawn or forfeited. As a result, the approval of an NDA often (and quickly) results in many ANDAs concerning the same patented medication.

3. The Act provides two ways to litigate the confrontation embedded in an ANDA, but virtually all litigation follows the same course. In particular, upon receiving notice of the ANDA, the patent holder can—and effectively must—sue for patent infringement under ANDA-specific infringement provisions. 21 U.S.C. § 355(j)(5)(B)(iii); 35 U.S.C. § 271(e). Filing the infringement suit within 45 days of receiving notice triggers an automatic 30-month stay of approval of the ANDA—an important pause on generic entry—and that is usually just enough time for a court to resolve the case. See Brian C. Howard & Jason Maples, Lex Machina, *Hatch-Waxman/ANDA Litigation Report 2015*, at 16 (2016) (on file with authors) (reporting a median time to trial of 27 months).

Alternatively, an ANDA filer can bring a lawsuit if the patent holder does not, 35 U.S.C. § 271(e)(5); 21 U.S.C. § 355(c)(3)(D)(i), but that almost never happens. See, *e.g.*, Lex Machina, *Legal Analytics for*

ANDA Litigation, https://lexmachina.com/wp-content/uploads/2014/12/ANDA-Datasheet.pdf?utm_source=website&utm_medium=datasheets&utm_campaign=resources (last visited Mar. 8, 2017) (under 5% of all ANDA litigation). In all but a tiny number of exceptional cases, therefore, ANDA litigation is an infringement action brought by a innovating patent holder against a host of ANDA applicants. Cf. *Eli Lilly*, 496 U.S. at 678 (describing "highly artificial act of infringement" designed to facilitate litigation of Paragraph IV certifications).

B. A Judicially Crafted Venue Rule Would Result In Wasteful, Duplicative, And Abusive ANDA Litigation.

Congress enacted the Hatch-Waxman Act in 1984, shortly before the first of its recent venue amendments in 1988. Congress was thus presumably aware of the Hatch-Waxman Act when it amended the venue laws, and both statutes coexist to allow patent holders facing multiple ANDAs to litigate those cases efficiently and in the same place.

Petitioner's counter-textual construction of the relevant venue provisions would upend this orderly and sensible process by requiring innovating patent holders to litigate the same cases many times over in different places. Venue for each ANDA would be permissible only in the State where the ANDA filer happens to be incorporated or where it maintains "a regular and established place of business." Identical validity arguments about the same patents, therefore, would be multiplied across numerous different judicial districts for absolutely no good reason. That is directly contrary to the Hatch-Waxman Act's clear intent to resolve ANDA litigation promptly and efficiently—an intent reflected, among other places, in the automatic but compressed 30-month stay of ge-

neric entry after litigation begins. 21 U.S.C. § 355(j)(5)(B)(iii); *supra* § II.A.

Recent and ongoing ANDA litigation is illustrative of the practical impact of Petitioner's proposed changes. On the one hand, some cases offer a preview of the kind of inefficiencies that would become mandatory in Petitioner's world. In litigation over the drug Adderall XR, for example, before the scope of personal jurisdiction in ANDA cases had been clarified, patent holders filed protective suits against ANDA filers in at least seven different jurisdictions.[4] The same happened in litigation over Clarinex, where the patent holder (Schering) sued 21 ANDA filers in New Jersey but also filed protective complaints in Florida and Michigan against four of those companies due to concerns about establishing personal jurisdiction in New Jersey.[5] Petitioner would have the Court adopt a rule that could lead to litigation in as many as 21 different jurisdictions, rather than just one.

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[4] *Shire Labs., Inc.* v. *Teva Pharm. Indus. Ltd.*, No. 2:06-cv-00952 (E.D. Pa. filed Mar. 2, 2006); *Shire Labs., Inc.* v. *Andrx Pharm., LLC*, No. 06-cv-61699 (S.D. Fla. filed Nov. 13, 2006); *Shire LLC* v. *Sandoz, Inc.*, No. 1:07-cv-00197 (D. Colo. filed Jan. 26, 2007); *Shire LLC* v. *Watson Pharm., Inc.*, No. 1:11-cv-02340 (S.D.N.Y. filed Apr. 5, 2011); *Shire LLC* v. *Neos Theraputics, Inc.*, No. 3:13-cv-01452 (N.D. Tex. filed Apr. 11, 2013); *Shire LLC* v. *Corepharma, LLC*, No. 1:14-cv-05694 (D.N.J. filed Sept. 12, 2014); *Shire LLC* v. *Amerigen Pharm. Ltd.*, No. 1:14-cv-06095 (D.N.J. filed Oct. 1, 2014); *Shire LLC* v. *Par Pharm., Inc.*, No. 1:15-cv-01454 (D.N.J. filed Feb. 26, 2015); *Shire LLC* v. *Abhai LLC*, No. 1:15-cv-13909 (D. Mass. filed Nov. 20, 2015).

[5] *See Schering Corp.* v. *Zydus Pharm., USA, Inc.*, No. 3:06-cv-04715 (D.N.J. filed Sept. 29, 2006) (naming 21 ANDA filers); *Schering Corp.* v. *Caraco Pharm. Labs., Ltd.*, No. 2:06-cv-14386 (E.D. Mich. filed Oct. 5, 2006) (naming two ANDA filers who were also defendants in *Zydus*); *Schering Corp.* v. *GeoPharma, Inc.*, No. 8:06-cv-01843 (M.D. Fla. filed Oct. 5, 2006) (same).

On the other hand, different cases also demonstrate just how seriously burdensome both to litigants and courts these cases *could become* under Petitioner's rule. Innovating manufacturer Otsuka, for example, sued at least 19 different ANDA filers over a patented aripiprazole oral solution marketed as Abilify.[6]

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[6] *Otsuka Pharm. Co.* v. *Wockhardt Ltd.*, No. 3:13-cv-06604 (D.N.J. filed Oct. 31, 2013); *Otsuka Pharm. Co.* v. *Torrent Pharm. Ltd.*, No. 1:14-cv-01078 (D.N.J. filed Feb. 18, 2014); *Otsuka Pharm. Co.* v. *Alembic Pharm. Ltd.*, No. 1:14-cv-02982 (D.N.J. filed May 9, 2014); *Otsuka Pharm. Co.* v. *Zydus Pharm. USA Inc.*, No. 1:14-cv-03168 (D.N.J. filed May 16, 2014); *Otsuka Pharm. Co.* v. *Aurobindo Pharma Ltd.*, No. 1:14-cv-03306 (D.N.J. filed May 23, 2014); *Otsuka Pharm. Co.* v. *Intas Pharm. Ltd.*, No. 1:14-cv-03996 (D.N.J. filed June 20, 2014); *Otsuka Pharm. Co.* v. *Sun Pharm. Indus. Ltd.*, No. 1:14-cv-04307 (D.N.J. filed July 7, 2014); *Otsuka Pharm. Co.* v. *Mylan, Inc*, No. 1:14-cv-04508 (D.N.J. filed July 11, 2014); *Otsuka Pharm. Co.* v. *Zhejiang Huahai Pharm. Co.*, No. 1:14-cv-05537 (D.N.J. filed Sept. 4, 2014); *Otsuka Pharm. Co.* v. *Ajanta Pharma Ltd.*, No. 1:14-cv-05876 (D.N.J. filed Sept. 19, 2014); *Otsuka Pharm. Co.* v. *Intas Pharm. Ltd.*, No. 1:14-cv-06158 (D.N.J. filed Oct. 2, 2014); *Otsuka Pharm. Co.* v. *Sun Pharm. Indus. Ltd.*, No. 1:14-cv-06397 (D.N.J. filed Oct. 6, 2014); *Otsuka Pharm. Co.* v. *Teva Pharm. USA Inc.*, No. 1:14-cv-06398 (D.N.J. filed Oct. 10, 2014); *Otsuka Pharm. Co.* v. *Aurobindo Pharma Ltd.*, No. 1:14-cv-06890 (D.N.J. filed Oct. 31, 2014); *Otsuka Pharm. Co.* v. *Lupin Ltd.*, No. 1:14-cv-07105 (D.N.J. filed Nov. 3, 2014); *Otsuka Pharm. Co.* v. *Actavis Elizabeth LLC*, No. 1:14-cv-07106 (D.N.J. filed Nov. 10, 2014); *Otsuka Pharm. Co.* v. *Zydus Pharm. USA Inc.*, No. 1:14-cv-07252 (D.N.J. filed Nov. 20, 2014); *Otsuka Pharm. Co.* v. *Alembic Pharm. Ltd.*, No. 1:14-cv-07405 (D.N.J. filed Nov. 26, 2014); *Otsuka Pharm. Co.* v. *Sciegen Pharm. Inc.*, No. 1:14-cv-08077 (D.N.J. filed Dec. 22, 2014); *Otsuka Pharm. Co.* v. *Apotex Corp.*, No. 1:14-cv-08074 (D.N.J. filed Dec. 24, 2014); *Otsuka Pharm. Co.* v. *Hetero Drugs Ltd.*, No. 1:15-cv-00161 (D.N.J. filed Jan. 8, 2015); *Otsuka Pharm. Co.* v. *Amneal Pharms. LLC*, No. 1:15-cv-01585 (D.N.J. filed Mar. 2, 2015); *Otsuka Pharm. Co.* v. *Sandoz Inc.*, No. 1:15-cv-01716 (D.N.J. filed Mar. 9, 2015).

Each suit was brought in New Jersey and assigned to the same judge, rather than up to 19 different judges in 19 different courts around the country. The economies that such consolidation generates are self-evident. A single consolidated proceeding is more than enough for the patent holder to have to endure.[7]

Such inefficiencies could even require splitting up litigation over *the same ANDA*. Manufacturer UCB, for example, sued 17 ANDA filers about the patent-protected seizure medicine Vimpat.[8] One of these actions named both Venoot Pharmaceuticals and Venoot's marketing division, Breckenridge Pharmaceutical, which are incorporated in two different states. Compl. ¶¶ 5-6, 11, *UCB, Inc.* v. *Breckenridge*

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[7] There are countless other examples. Pfizer's branded drug Toviaz, for example, required 15 ANDA infringement actions in Delaware, *see, e.g.*, *Pfizer, Inc.* v. *Sandoz Inc., et al.*, No. 13-1110, 2016 WL 1611377 (D. Del. Apr. 20, 2016) (following consolidated bench trial, holding that the Toviaz patent is not invalid), while Sanofi's Multaq had 10 in the same court, *see, e.g.*, *Sanofi* v. *Glenmark Pharms, Inc., USA, et al.*, No. 14-264, 2016 WL 4569680 (D. Del. Aug. 31, 2016) (following a consolidated bench trial, concluding the Multaq patent at issue was valid and infringed), *appeal docketed*, No. 16-2722 (Fed. Cir. Sept. 29, 2016). Eli Lilly's Alimta led to 14 actions in the Southern District of Indiana. *See, e.g.*, *Eli Lilly* v. *Teva Parental Meds., Inc., et al.*, 845 F.3d 1357 (Fed. Cir. 2017) (affirming district court's judgments of infringement and no invalidity). Complete lists of these litigations are compiled in the Addendum of this Brief.

[8] *See UCB Files Vimpat Patent Claims Against 15 Companies*, PMLive (July 23, 2013), http://www.pmlive.com/pharma_news/ucb_files_vimpat_patent_claims_against_15_companies_491658 (noting suits against Glenmark, Apotex, Mylan, Ranbaxy, Sandoz, Sun Pharma, Watson, Zydus, ScieGen, Hetero, Breckenridge, Amneal, Alembic and Accord); *see also UCB, Inc.* v. *Aurobindo Pharma LTD*, No. 1:16-cv-00451 (D. Del. filed June 17, 2016); *UCB Inc.* v. *Teva Pharm. USA, Inc.*, No. 1:13-cv-01148 (D. Del. filed June 28, 2013).

Pharm., Inc., No. 1:13-cv-01211 (D. Del. filed July 10, 2013); see also Compl. ¶¶ 6–7, *UCB, Inc.* v. *Ranbaxy Labs. Ltd.*, No. 1:13-cv-01215 (D. Del. filed July 10, 2013) (naming co-defendants incorporated in Florida and Delaware). To accept Petitioner's argument would seemingly mean that UCB would have had to bring separate lawsuits in separate districts over the very same ANDA application. This kind of outcome can only be justified by clear congressional text commanding such a wasteful result. The venue provisions, however, provide for a much more orderly litigation process and one that does not countenance the kind of Balkanized litigation Petitioner proposes.

ANDA litigation thus provides a clear example why the question presented should be left to Congress. Venue statutes balance party and public interests that may vary widely based on the case, industry, or context. ANDA litigation is unique, implicating a different statutory framework and different dynamics and interests than are implicated in the run-of-the-mill infringement dispute between TC Heartland and Kraft or in the technology cases concentrated in the Eastern District of Texas. Weighing such competing and nuanced interests is for Congress, not the courts.[9]

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[9] If the Court does decide to alter the current venue rules—and it should not—it should avoid upsetting the current rule for ANDA litigation. Given the uniqueness of the Hatch-Waxman process, the stakes involved, and the artificial nature of these lawsuits, *see supra* § II.A–B, any change to the venue provisions affecting ANDA litigation should be decided in an ANDA case, where the courts can address the unique rules governing these cases.

C. GPhA's Arguments Ignore The Reality Of ANDA Litigation.

Generic manufacturers have filed a brief in support of Petitioner. Although that brief correctly recognizes that construction of the venue statutes could have significant repercussions for ANDA litigation, GPhA's arguments are misguided and otherwise erroneous.

For starters, many of GPhA's observations affirmatively support respondents. They note, for instance, that ANDA litigation is "particularly complex and resource intensive," and that trial in ANDA litigation is a "multi-day (if not multi-week) affair[], often involving multiple patents, where the district judge is required to carefully hear and weigh highly technical testimony." GPhA Br. 8–10. Moreover, they acknowledge that such cases "commonly involve multiple unrelated drug applicant defendants." *Id.* at 10 n.5. Although GPhA summarily states that those defendants might "hav[e] discrete defenses," *id.*, the defendants' positions have far more in common than not. And yet GPhA nowhere acknowledges what its preferred solution would mean for cases that "commonly involve multiple unrelated drug applicant defendants." GPhA's silence is telling because, as already explained, mandated case-splitting would multiply the cost and complexity of ANDA litigation and engender a game of legal Whack-a-Mole that would harm courts and biopharmaceutical companies with no corresponding benefit.

GPhA argues that the court of appeals' decision puts the venue statute "[a]t [o]dds" with ANDA venue provisions, whereas Petitioner's construction creates "symmetry" between how venue is determined depending on whether the brand or generic initiates suit. GPhA Br. 6–7. GPhA is wrong. There is no asymmetry under the existing statutes. By requiring

declaratory actions to be brought in the district of the patent holder's principal place of business or where the patent holder has a regular and established place of business, 21 U.S.C. § 355(j)(5)(C)(i)(II), Congress simply recognized that patent holders do not initiate the Hatch-Waxman process and in effect are the de facto defendants in ANDA cases—pushed into litigation by the *ANDA filers'* challenges to the patents as well as by the filers' efforts to sell their drugs nationwide. Litigation thus *should be* concentrated in one or few judicial districts where the patent holders have substantial ties, and that is precisely what happens now: the innovating manufacturer usually brings all lawsuits concerning a single drug in the district where it is based (or another district where the ANDA filers are all subject to personal jurisdiction). *Supra* at 15–18.

In a similar vein, GPhA points to the fact that a majority of ANDA actions are brought in New Jersey and Delaware as evidence of undue concentration and a rule that ought to be changed. GPhA Br. 10–16. But GPhA neglects to point out that a majority of brand-name pharmaceutical companies are based in New Jersey or Delaware. Indeed, of the top 10 pharmaceutical companies in terms of revenue in 2016, six have their U.S. headquarters in New Jersey or Delaware, and the other four are incorporated in Delaware. See Arjun Datta, *Top 10 Pharmaceutical Companies in 2016*, ProClinical (Aug. 31, 2016), http://blog.proclinical.com/top-10-pharmaceutical-companies-2016; see also Corrinne Jurney, *2016 Global 2000: The World's Largest Drug and Biotech Companies*, Forbes Mag. (May 27, 2016), http://www.forbes.com/sites/corinnejurney/2016/05/27/2016-global-2000-the-worlds-largest-drug-and-biotech-companies/#165cd3c91d50; *Top 25 Pharma Companies by Global Sales*,

PM Live http://www.pmlive.com/top_pharma_list/global_revenues (last visited Mar. 8, 2017); John Carroll, *Top 15 Pharma R&D Budgets*, Fierce Pharma, http://www.fiercepharma.com/special-report/top-15-pharma-r-d-budgets (last visited Mar. 7, 2017). The apparent concentration of ANDA litigation is thus not evidence of patentee-friendly courts or anything untoward; it simply reflects a geographically concentrated industry.

Ultimately, GPhA's arguments are an apparent last-ditch effort to re-litigate a fight about the scope of *personal jurisdiction* in ANDA cases that GPhA recently lost (and on which this Court denied certiorari). Recycling arguments—sometimes verbatim[10]—that GPhA made unsuccessfully in support of *certiorari* in *Acorda Therapeutics, Inc.* v. *Mylan Pharmaceuticals, Inc.*, 817 F.3d 755 (Fed. Cir. 2016), *cert. denied*, 137 S. Ct. 625 (2017), GPhA vehemently argues that most ANDA litigation is not conducted in districts that GPhA prefers. These arguments did not prevail in *Acorda*, when personal jurisdiction was actually at stake, and they certainly offer no reason to rewrite the venue laws to try to reach the same outcome.

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[10] *Compare, e.g.*, GPhA Br. 10–11, *with* GPhA *Amicus* Brief at 6, *Mylan Pharm. Inc.* v. *Acorda Therapeutics Inc.*, 137 S. Ct. 625 (2017) (No. 16-360), *available at* 2016 WL 6247555.

CONCLUSION

For the foregoing reasons, and those stated by Respondent, the judgment of the court of appeals should be affirmed.

Respectfully submitted,

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APPENDIX

ADDENDUM

Pfizer Toviaz (D. Del.)

ANDA Filer	Filed	Docket No.
Torrent	Feb. 2, 2017	1:17-cv-00112
Aurobindo	Sept. 30, 2016	1:16-cv-00886
Dr. Reddy's	Nov. 18, 2015	1:15-cv-01067
Mylan	Jan. 27, 2015	1:15-cv-00013
Hetero	Dec. 11, 2013	1:13-cv-02021
Apotex	Dec. 11, 2013	1:13-cv-02022
Wockhardt	Aug. 2, 2013	1:13-cv-01387
Lupin	June 28, 2013	1:13-cv-01153
Zydus	June 28, 2013	1:13-cv-01154
Accord	June 28, 2013	1:13-cv-01155
Amerigen	June 28, 2013	1:13-cv-01156
Amneal	June 28, 2013	1:13-cv-01157
Impax	June 28, 2013	1:13-cv-01158
Alkem	June 21, 2013	1:13-cv-01110
Sandoz	June 21, 2013	1:13-cv-01111

Add2

Sanofi Multaq (D. Del.)

ANDA Filer	Filed	Docket No.
Lupin	May 21, 2015	1:15-cv-00415
Alkem	Dec. 23, 2015	1:15-cv-01200
First Time	Dec. 23, 2015	1:15-cv-01205
Sandoz	Dec. 23, 2015	1:15-cv-01207
Sun	Dec. 23, 2015	1:15-cv-01208
Watson	Dec. 23, 2015	1:15-cv-01209
Unimark	July 3, 2014	1:14-cv-00876
Amneal	July 3, 2014	1:14-cv-00875
Alembic	Apr. 4, 2014	1:14-cv-00424
Glenmark	Feb. 26, 2014	1:14-cv-00264

Eli Lilly Alimta (S.D. Ind.)

ANDA Filer	Filed	Docket No.
Hospira	Dec. 21, 2016	1:16-cv-03460
Biocon	Feb. 26, 2016	1:16-cv-00469
Dr. Reddy's	Feb. 5, 2016	1:16-cv-00308
Emcure	Aug. 7, 2015	1:15-cv-01244
Mylan	July 10, 2015	1:15-cv-01083
Fresenius Kabi	Jan. 23, 2015	1:15-cv-00096
Sandoz	Dec. 5, 2014	1:14-cv-02008
Nang Kuang	Oct. 8, 2014	1:14-cv-01647
Glenmark	Jan. 23, 2014	1:14-cv-00104
Sun	Sept. 13, 2013	1:13-cv-01469
Accord	Feb. 28, 2013	1:13-cv-00335
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App	July 15, 2011	1:11-cv-00942
Teva	Oct. 29, 2010	1:10-cv-01376

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In The
Supreme Court of the United States

TC HEARTLAND LLC,
D/B/A HEARTLAND FOOD PRODUCTS GROUP,

Petitioner,

v.

KRAFT FOODS GROUP BRANDS LLC,

Respondent.

On Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

BRIEF OF PROFESSORS OF PATENT LAW AND CIVIL PROCEDURE AS *AMICI CURIAE* IN SUPPORT OF RESPONDENT

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BRIEF OF PROFESSORS OF PATENT LAW AND CIVIL PROCEDURE AS *AMICI CURIAE* IN SUPPORT OF RESPONDENT

INTEREST OF *AMICI CURIAE*[1]

The *amici curiae* are law professors who teach and write on civil procedure and/or patent law and policy. As such, *amici* are interested in the effective functioning of the courts and the patent system in general. *Amici* have no stake in the parties or in the outcome of the case. A complete list of *amici* appears at Appendix A.

SUMMARY OF ARGUMENT

Over the past decade, this Court has frequently reversed the Federal Circuit for adopting procedural rules for patent cases that differed from those that apply in other federal cases. See, *e.g.*, *Teva Pharms. USA, Inc.* v. *Sandoz, Inc.*, 135 S. Ct. 831 (2015); *Medtronic, Inc.* v. *Mirowski Family Ventures, LLC*, 134 S. Ct. 843 (2014); *Gunn* v. *Minton*, 133 S. Ct. 1059 (2013); *MedImmune, Inc.* v. *Genentech, Inc.*, 549 U.S. 118 (2007); *eBay, Inc.* v. *MercExchange, L.L.C.*, 547 U.S. 388 (2006). This

[1] Petitioner's counsel of record and respondent's counsel of record both consented to the filing of this brief via electronic mail sent to counsel of record for *amici curiae*. No counsel for any party has authored this brief in whole or in part. The printing and filing of this brief was paid for by the *amici curiae* and The Catholic University of America, Columbus School of Law. No other person or entity, or its counsel, has made a monetary contribution to the preparation or submission of this brief.

case, too, concerns the Federal Circuit's approach to a procedural issue in patent cases, namely, venue. However, unlike in the prior cases before this Court, the Federal Circuit is *not* an outlier on this issue. Rather, the Federal Circuit's interpretation of the venue statute is consistent with the statute's plain language and with broader historical trends in venue law. While the petitioner and *amici* in support of petitioner raise important policy questions about forum choice in patent cases, Congressional legislation or alterations to personal jurisdiction doctrine by this Court are more appropriate avenues of reform. See generally Paul R. Gugliuzza & Megan M. La Belle, *The Patently Unexceptional Venue Statute*, 66 AM. U. L. REV. (forthcoming 2017), *available at* https://ssrn.com/abstract=2914091.

Accordingly, for the reasons set forth below, this Court should affirm the Federal Circuit's decision denying the petition for writ of mandamus because venue is proper in the U.S. District Court for the District of Delaware.

ARGUMENT

I. The Federal Circuit's interpretation of the patent venue statute is supported by the statute's plain language.

The question in this case is whether the term "resides" in the patent venue statute, 28 U.S.C. § 1400(b), should be defined by 28 U.S.C. § 1391(c), a provision of the general venue statute that says corporations reside

in districts where they are subject to personal jurisdiction. This Court held in *Fourco Glass Co.* v. *Transmirra Prods. Corp.*, 353 U.S. 222 (1957), that the general venue statute – as it read at the time – did not supplement the patent venue statute. However, substantial changes in the relevant statutes over the past sixty years make clear that the Federal Circuit's current interpretation is correct.

The patent venue statute provides: "Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business." 28 U.S.C. § 1400(b). Although § 1400(b) does not define "resides," the general venue statute has included a definition of that term since 1948, when Congress adopted the following provision: "A corporation may be sued in any judicial district in which it is incorporated or licensed to do business or is doing business, and such judicial district shall be regarded as the residence of such corporation for venue purposes." 28 U.S.C. § 1391(c) (1948). As this Court has acknowledged, the purpose of this broadened definition of residence was to allow corporations to be sued wherever they were "creating liabilities." *Pure Oil Co.* v. *Suarez*, 384 U.S. 202, 204 n. 3 (1966).

Because *Fourco* held that the patent venue statute should not be supplemented by § 1391(c), the petitioner argues that the question in this case is "precisely the same" as in *Fourco*. See Brief for Petitioner

at i. But when this Court decided *Fourco*, the 1948 version of § 1391(c) was still in effect. Today, the language of § 1391(c) is markedly different as a result of significant amendments to the general venue statute in 1988 and 2011.

Congress first amended § 1391(c) in 1988 to read: "For purposes of venue under this chapter, a defendant that is a corporation shall be deemed to reside in any judicial district in which it is subject to personal jurisdiction at the time the action is commenced." This amendment is critical to the interpretation of the patent venue statute for at least two reasons.

First, Congress added the language "[f]or purposes of venue *under this chapter*," 28 U.S.C. § 1391(c) (1988) (emphasis added), which makes clear that the definition of "resides" applies to *all* provisions of Chapter 87, including § 1400(b). Nothing in the statutory language provides any hint that the definition of "residence" in § 1391(c) should not apply to neighboring provisions of the U.S. Code, such as § 1400(b). Nor does anything in the legislative history suggest that Congress intended to preclude the definition plainly set forth in § 1391(c) from applying to venue in patent cases.

In fact, some evidence suggests that the purpose of the prefatory phrase added to § 1391(c) was to make clear that § 1391(c) defined "residence" as the term is used in specialized venue statutes such as § 1400(b). For instance, the reporter for the Judicial Conference's

Subcommittee on Federal Jurisdiction, Professor Edward Cooper, stated in a memorandum that § 1391(c)'s revised definition of residence applies "to the venue provisions gathered in Chapter 87 of the Judicial Code, 28 U.S.C. §§ 1391 through 1412," which, obviously, includes § 1400(b). Memoranda on Venue and Changes to 28 U.S.C. § 1391(c), 39 PAT., COPYRIGHT & TRADEMARK J. 435, 438 (Mar. 29, 1990).[2] That evidence undermines the petitioner's claim that, if Congress were relying on the prefatory phrase, "[f]or purposes of venue under this chapter," to apply § 1391(c) to the patent venue statute, it would amount to hiding "a huge [statutory] elephant . . . in the smallest of mouseholes." Brief for Petitioner at 31.

Second, there was a marked change in the structure of § 1391(c) between *Fourco* and the 1988 amendments. The 1948 version of § 1391(c) not only defined where corporations "reside," it also set forth substantive rules about where venue lies in cases filed against corporations. Thus, at the time of *Fourco*, there were

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[2] In addition, the subcommittee's initial proposal for § 1391(c) apparently began with the prefatory language, "[f]or purposes of Subsections (A) and (B)," which would have limited the applicability of § 1391(c)'s definition of corporate residence to the general venue statute. But the subcommittee replaced that language with "[f]or purposes of venue *under this chapter*" before submitting the proposal to Congress, leading contemporaneous commentators to conclude that "[t]his evolution is convincing evidence that the drafters intended the new definition to apply to all of chapter 87, including section 1400(b)." Alan B. Rich et al., *The Judicial Improvements and Access to Justice Act: New Patent Venue, Mandatory Arbitration and More*, 5 HIGH TECH. L.J. 311, 317-19 (1990).

two substantive provisions potentially governing venue in patent cases: (1) § 1391(c), which said that corporations could be sued in judicial districts where they were incorporated, licensed to do business, or doing business; and (2) § 1400(b), which said that defendants could be sued where they resided or where they committed acts of infringement and had a regular and established place of business.

On their face, these provisions were arguably inconsistent. Venue based on merely "'doing business'" or merely being "licensed to do business," as permitted under § 1391(c), was broader than venue based on "infringement" plus "a regular and established place of business" under § 1400(b). See, *e.g.*, *Mastantuono* v. *Jacobsen Mfg. Co.*, 184 F. Supp. 178, 180 (S.D.N.Y. 1960) ("Mere 'doing business' in a district is not of itself sufficient to confer venue in patent suits. Something more is required. It must appear that a defendant is regularly engaged in carrying on a substantial part of its ordinary business on a permanent basis in a physical location within the district over which it exercised some measure of control."). Because of this inconsistency, it is easy to understand why the *Fourco* Court decided that the narrower, more specific statute, § 1400(b), was the sole provision controlling venue in patent infringement actions.

With the 1988 amendments, however, Congress removed the substantive provisions of § 1391(c) and made that subsection purely definitional. The updated version of § 1391(c), unlike the version at issue in

Fourco, said nothing about where venue lies in civil actions. Instead, after the amendments, only § 1391(a)-(b) included substantive provisions. Consequently, the amended version of § 1391(c) could now be read in perfect harmony with § 1400(b) by defining "resides" – a term used in, but left undefined by, § 1400(b). See John B. Oakley, *Prospectus for the American Law Institute's Federal Judicial Code Revision Project*, 31 U.C. DAVIS L. REV. 855, 966 (1998) ("The Federal Circuit harmonized subsection 1400(b)'s corporate residency requirements with subsection 1391(c)'s requirements in *VE Holding Corp. v. Johnson Gas Appliance Co.*").

Congress's 2011 amendments to the venue statute are also critical to the Federal Circuit's interpretation of § 1400(b). The current version of § 1391(c) states, in relevant part:

> (c) Residency. – *For all venue purposes* –
>
> . . .
>
> (2) an entity with the capacity to sue and be sued in its common name . . . shall be deemed to reside, if a defendant, in any judicial district in which such defendant is subject to the court's personal jurisdiction with respect to the civil action in question. . . .

28 U.S.C. § 1391(c) (2011) (emphasis added). Whereas § 1391(c) used to define residence "[f]or purposes of venue under this chapter," it now defines residence "[f]or all venue purposes." The statute continues to be

clear on its face: § 1391(c) applies to ***all*** venue provisions, including § 1400(b).[3]

The legislative history of the 2011 amendments bolsters this conclusion by stating explicitly that the definitions in § 1391(c) apply "universally," meaning "to all venue statutes, including venue provisions that appear elsewhere in the United States Code." H.R. REP. NO. 112-10 at 17 (2011). The American Law Institute – whose work on the Federal Judicial Code Revision Project was the basis for the 2011 amendments – likewise acknowledged that "all of the definitions set forth in new § 1391(c) apply globally to all venue statutes, whether of general or special applicability." ALI, *Federal Judicial Code Revision Project* 188-89 (2003).

II. The Federal Circuit's interpretation of the patent venue statute is consistent with venue practice in other federal civil cases.

As noted above, in recent years, the Federal Circuit has adopted – and this Court has struck down – several patent-specific procedural rules. See generally Peter Lee, *The Supreme Assimilation of Patent Law*,

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[3] Petitioner argues that § 1391(c)'s definition of residency does not apply to the patent venue statute because § 1391(a)(1) states: "Except as provided by law . . . this section shall govern the venue of all civil actions brought in district courts of the United States." This introductory proviso, which was also included in the previous version of § 1391, simply means that special venue statutes like § 1400(b) continue to apply, but does not preclude the terms used in those special venue statutes from being defined by § 1391(c), which, on its face, applies "[f]or all venue purposes." See ALI, *Federal Judicial Code Revision Project* 167-68, 188-89 (2003).

114 MICH. L. REV. 1413 (2016). But the Federal Circuit's rule on venue in patent cases does not fit this pattern. To the contrary, the Federal Circuit's interpretation of § 1400(b), which provides that venue is proper in judicial districts where corporate defendants are subject to personal jurisdiction, is completely in line with mainstream jurisprudence.

Both the general venue statute and the patent venue statute say that venue is proper where defendants reside. See 28 U.S.C. § 1391(b)(1) ("A civil action may be brought in a judicial district in which any defendant resides, if all defendants are residents of the State in which the district is located."); *id.* § 1400(b) ("Any civil action for patent infringement may be brought in the judicial district where the defendant resides. . . ."). Since 1988, § 1391(c) has provided that corporate defendants "reside" wherever they are subject to personal jurisdiction. Accordingly, in all cases governed by the general venue statute – that is, the vast majority of cases in federal court – corporate defendants can be sued in any judicial district in which personal jurisdiction exists.[4] Thus, Federal Circuit law treats corporate defendants in patent cases like corporate defendants in any other federal civil action.

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[4] See, *e.g.*, Elizabeth Chamblee Burch, *Disaggregating*, 90 WASH. U. L. REV. 667, 699 n. 126 (2013) ("Venue will typically not be an issue in mass-tort cases with corporate defendants. For corporations, venue is proper where the defendant resides, which is where the defendant is subject to personal jurisdiction when the case commenced.").

There is no reason to believe that Congress intended to protect corporate defendants in patent cases more than in other types of civil cases. The opposite, in fact, is true. When Congress enacted the first patent venue statute in 1897, the goal was to make venue *less restrictive*, not more restrictive, in patent cases as compared to other types of civil actions. See Gugliuzza & La Belle, *supra*, at 7-8. Before 1897, there was a split among lower courts as to whether venue in patent cases was governed by the Judiciary Act of 1789 – which provided that venue was proper in the district where the defendant was an inhabitant *and* in any district where the defendant could be found and served – or the Judiciary Act of 1887 – which provided that venue in federal question cases was proper *only* in the district in which the defendant was an inhabitant. Compare Judiciary Act of 1789 § 11, 1 Stat. 73, 79, with Act of March 3, 1887 § 1, 24 Stat. 552-53. When Congress enacted the patent venue statute to resolve this conflict, it could have said simply that patent cases would, like other federal question cases, be governed by the Act of 1887, limiting venue to where the defendant was an inhabitant. But instead, Congress enacted a statute that made venue in patent infringement cases *broader* than in other federal question cases. See *Brunette Mach. Works, Ltd.* v. *Kockum Indus., Inc.*, 406 U.S. 706, 712-13 (1972) ("[T]he new provision . . . was rather less restrictive than the general venue provision then applicable to claims arising under federal law."); Richard C. Wydick, *Venue in Actions for Patent Infringement*, 25 STAN. L. REV. 551, 554 (1973) (explaining that the patent venue statute "was intended

to give plaintiffs in patent infringement actions a *broader* choice of forums than was available in ordinary federal question cases under the general venue statute as it had existed since 1887") (emphasis in original).

III. Forum selection in patent cases should be addressed through other avenues of reform.

While the petitioner's legal arguments are unpersuasive, this case raises important policy questions about the consequences of having most patent litigation occur in a small number of districts, such as the Eastern District of Texas. Those concerns, however, are better addressed through alternative avenues of reform. See Gugliuzza & La Belle, *supra*, at 25-30. Congress, for example, has already considered amending the patent venue statute to restrict forum choice. See, *e.g.*, Venue Equity and Non-Uniformity Elimination (VENUE) Act of 2016, S. 2733, 114th Cong. Alternatively, because venue for corporate defendants is linked to personal jurisdiction, reforms to that doctrine – including through this Court's impending decision in *Bristol-Myers Squibb Co.* v. *Superior Court*, No. 16-466 (U.S. cert. granted Jan. 19, 2017) – could have an impact on forum selection in patent litigation.

CONCLUSION

For the foregoing reasons, this Court should affirm the Federal Circuit's decision denying the petition for

writ of mandamus because venue is proper in the U.S. District Court for the District of Delaware.

Dated: March 8, 2017

Respectfully submitted,

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IN THE

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TC HEARTLAND LLC,

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Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF *AMICI CURIAE* 61 PROFESSORS OF LAW AND ECONOMICS IN SUPPORT OF PETITIONER

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INTEREST OF *AMICI*[1]

Amici are professors and researchers of law and economics at universities throughout the United States. We have no personal interest in the outcome of this case, but a professional interest in seeing patent law develop in a way that encourages innovation and creativity as efficiently as possible.

SUMMARY OF ARGUMENT

28 U.S.C. § 1400(b) provides that a corporate defendant in a patent case may be sued where the defendant is incorporated or has a regular and established place of business and has infringed the patent. This Court made clear in *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222, 223 (1957), that those were the only permissible venues for a patent case. But the Federal Circuit has rejected *Fourco* and the plain meaning of § 1400(b), instead permitting a patent plaintiff to file suit against a defendant anywhere there is personal jurisdiction over that defendant. The result has been rampant forum shopping, particularly by plaintiffs who don't make any product but are solely in the business of litigation (also known as patent trolls). In 2015, 44 percent of all patent lawsuits were filed in a single district: the Eastern District of Texas, a forum with plaintiff-friendly rules and practices, but where few of the defendants are incorporated or have established places of business. Nationwide, an estimated 86 percent

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1. No person other than the *amici* and their counsel participated in the writing of this brief or made a financial contribution to the brief. Letters signifying the parties' consent to the filing of this brief are on file with the Court.

of 2015 patent cases were filed somewhere other than the defendant's primary place of business as specified in the statute. Colleen V. Chien & Michael Risch, *Recalibrating Patent Venue*, Santa Clara Univ. Legal Studies Research Paper No. 10-1 (Sept. 1, 2016), Table 3, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2834130.

The Federal Circuit's dubious interpretation of the statute plays an outsized and detrimental role, both legally and economically, in the patent system. It exacerbates the most significant problems with the modern patent system, including the prevalence of nuisance-value lawsuits by patent trolls.

ARGUMENT

I. The Federal Circuit's Expansive and Incorrect Interpretation of 28 U.S.C. § 1400(b) Allows Patentholders to Sue Anywhere in the Nation

Section 48 of the Judiciary Act of 1897 limited jurisdiction in patent cases to districts where the defendant resided or both had a place of business and committed infringing acts. Act of March 3, 1897, c. 395, 29 Stat. 695. In 1942, this Court confirmed that "Congress did not intend the Act of 1897 to dovetail with the general provisions relating to the venue of civil suits, but rather that it alone should control venue in patent infringement proceedings." *Stonite Prods. Co. v. Melvin Lloyd Co.*, 315 U.S. 561, 563 (1942).

In 1948, Congress enacted 28 U.S.C. § 1400(b), specifying that "patent venue is proper in the judicial district where the defendant resides, or where the

defendant has committed acts of infringement and has a regular and established place of business." In 1957, this Court confirmed that patent venue should not be interpreted with reference to the general jurisdiction statute, holding that "28 U.S.C. 1400(b) . . . is the sole and exclusive provision controlling venue in patent infringement actions, and that it is not to be supplemented by the provisions of 28 U.S.C. 1391(c)." *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222, 223 (1957).

In 1990, the Federal Circuit declined to apply this Court's longstanding precedent and decided that the general venue statute should define interpretation of the patent venue statute. It made this decision on the basis of a ministerial change Congress made in 1988 to 28 U.S.C. § 1391. *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1583 (Fed. Cir. 1990). That legislation changed the wording in 28 U.S.C. § 1391 from defining residence "for venue purposes" to defining residence "for purposes of venue under this chapter." However, there was no indication that Congress intended this change to impact the patent venue statute.

The Federal Circuit's conclusion that Congress's ministerial change overruled this Court's longstanding precedent is incorrect for at least two reasons. First, it violates fundamental rules of statutory construction. It is well-established that Congress "does not alter the fundamental details of a regulatory scheme in vague terms or ancillary provisions—it does not, one might say, hide elephants in mouseholes." *Whitman v. American Trucking Assns., Inc.*, 531 U.S. 457, 468 (2001) (citing *MCI Telecomm. Corp. v. American Tel. & Tel. Co.*, 512 U.S. 218, 231 (1994); *FDA v. Brown & Williamson Tobacco Corp.*, 529 U.S. 120, 159-60 (2000)).

Second, the Federal Circuit's interpretation renders the second half of § 1400(b) largely superfluous. That section provides:

> Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.

The term "resides" in § 1400(b) must mean something different than having "a regular and established place of business." Otherwise, there would have been no reason to include both provisions in the venue statute, or to link them through the disjunctive term "or." In *Brunette*, this Court interpreted 28 U.S.C. § 1400(b) as well as 28 U.S.C. § 1391(d) and confirmed that where a corporation "resides" is where it is incorporated. *Brunette Mach. Works v. Kockum Indus.*, 406 U.S. 706, n.2 (1972).

Rather than parsing § 1400(b) carefully or following this Court's precedent, the Federal Circuit erroneously read the general definition of corporate residence, codified in § 1391(c)(2), into the specific patent venue provision. In relevant part, § 1391(c)(2) provides that corporate defendants:

> shall be deemed to reside . . . in any judicial district in which such defendant is subject to the court's personal jurisdiction with respect to the civil action in question . . . .

Reading this definition into § 1400(b) is incorrect, not least because doing so renders the latter half of

§ 1400(b) mere surplusage. For patent infringement cases, the relevant aspect of personal jurisdiction is typically specific jurisdiction, which focuses on whether the defendant's suit-related conduct establishes a "substantial connection" with the judicial forum in question. *Walden v. Fiore*, 134 S.Ct. 1115, 1121 (2014). But a corporation will have established a suit-related "substantial connection" with, and thus be subject to jurisdiction in, any district in which it "has committed acts of infringement and has a regular and established place of business." So the Federal Circuit's decision to read the § 1391(c) definition of "resid[ing]" into § 1400(b) renders the second half of the latter section superfluous as to corporations, a category which includes virtually all patent defendants. A judicial reading that renders half of a statutory provision superfluous is strongly disfavored. *United States v. Jicarilla Apache Nation*, 131 S.Ct. 2313, 2330 (2011) ("'As our cases have noted in the past, we are hesitant to adopt an interpretation of a congressional enactment which renders superfluous another portion of that same law.'" (quoting *Mackey v. Lanier Collection Agency & Serv., Inc.*, 486 U.S. 825, 837 (1988))); *Babbitt v. Sweet Home Chapter of Communities for a Great Oregon*, 515 U.S. 687, 698 (1995) (noting "[a] reluctance to treat statutory terms as surplusage").[2]

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2. In theory, the superfluity might not be absolute because an individual person might be sued as a defendant for infringing a patent in that individual's regular and established place of business, which happens to be in a different state than she lives. But there is no reason to think that such a person has ever been sued outside their home district, much less that it is a common occurrence, or that it was a prospect that so concerned Congress that it passed a whole law to deal with it. With respect to corporations – like the respondent in this case and approximately 98 percent of all patent defendants (Chien and Risch, supra, at 36) – the Federal Circuit's

The Federal Circuit's expansive, and we believe incorrect, interpretation of 28 U.S.C. § 1400(b) effectively allows patent owners to file suit in any federal district where an allegedly infringing product is sold. *In re TC Heartland, LLC*, No. 2016-105, at 10 (Fed. Cir. Apr. 29, 2016) (holding that jurisdiction is proper in a patent suit "where a nonresident defendant purposefully shipped accused products into the forum through an established distribution channel and the cause of action for patent infringement was alleged to arise out of those activities"). The widespread availability of products over the internet means, in effect, that patentholders can file their suit in any district in any state in the country.

II. Permissive Venue has Fueled and Enabled Forum Shopping and Selling, Patent Trolls, and Case Concentration

The Federal Circuit's expansive interpretation of 28 U.S.C. §1400(b) has harmed the patent system in three distinct ways. It has led to forum selling and forum shopping, it has contributed to the growth of opportunistic patent litigation by patent trolls, and it has led to undue case concentration.

Patent lawyers today spend a great deal of time figuring out the best districts in which to file patent cases, and for good reason. The district in which you file your patent case has consequences for how much your case will cost, how long it will last, and whether you will

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interpretation renders the "where the defendant has committed acts of infringement and has a regular and established place of business" language entirely superfluous.

prevail in court. Mark A. Lemley, *Where to File Your Patent Case*, 38 AIPLA Q.J. 401 (2010); Brian J. Love & James C. Yoon, *Predictably Expensive: A Critical Look at Patent Litigation in the Eastern District of Texas*, 20 Stan. Tech. L. Rev. 1 (2017).

The choice of venue enabled by the Federal Circuit's liberal interpretation of the statute has created an incentive for courts to differentiate themselves in order to compete for litigants and "sell" their forum to prospective plaintiffs. *See* J. Jonas Anderson, *Court Competition for Patent Cases*, 163 U. Pa. L. Rev. 631 (2015); Daniel M. Klerman & Greg Reilly, *Forum Selling*, 89 S. Cal. L. Rev. 241 (2016).

Among district courts, the Eastern District of Texas is the clear forum of choice for patent plaintiffs. It has been the most popular venue for patent cases in eight of the last ten years. Chien & Risch, *supra* at 3. Judges in the Eastern District of Texas have adopted rules and practices relating to case assignment, joinder, discovery, transfer, and summary judgment that attract patent plaintiffs to their district. Klerman & Reilly, *supra*; Matthew Sag, *IP Litigation in U.S. District Courts: 1994-2014*, 101 Iowa L. Rev. 1065 (2016) (detailing evidence of "forum selling" and five advantages to plaintiffs of filing suit in the Eastern District of Texas).

A study of all patent cases filed from January 2014 to June 2016 quantifies some of the advantages. Love & Yoon, *supra*. Compared to their colleagues across the nation, judges in the Eastern District of Texas take 150 additional days on average to rule on motions to transfer, *id.* at 17, and are 10 percentage points less likely to stay

the case in favor of an expert adjudication on the validity of the patent by Patent and Trademark Office (PTO) in *inter partes* review, *id.* at 27, despite the fact that patents asserted in the Eastern District of Texas are challenged in *inter partes* review more often than patents asserted in any other district. Saurabh Vishnubhakat, Arti Rai, & Jay Kesan, *Strategic Decision Making in Dual PTAB and District Court Proceedings*, 31 Berkeley Tech. L.J. 45, 109 (2016). At the same time, judges in the Eastern District of Texas have adopted discovery rules that begin earlier, end sooner, and require broader disclosure than just about anywhere else in the country. Love and Yoon, *supra*, at 21-25 (comparing discovery and other pretrial deadlines applicable in the Eastern District of Texas and District of Delaware). In combination, relatively early and broad discovery requirements and relatively late rulings on motions to transfer ensure that defendants sued in the Eastern District of Texas will be forced to incur large discovery costs, regardless of the case's connection to the venue.

Not all types of plaintiffs choose to take advantage of the leverage that these rules and procedures make possible. Patent assertion entities (PAEs or patent trolls) use patents primarily to gain licensing fees rather than to commercialize or transfer technology. Colleen V. Chien, *From Arms Race to Marketplace: The Complex Patent Ecosystem and Its Implications for the Patent System*, 62 Hastings L.J. 297 (2010). Trolls make particular use of the advantages provided by the Federal Circuit's permissive approach to forum shopping. Since 2014, over 90 percent of patent suits brought in the Eastern District of Texas were filed by companies established for the purpose of litigating patent suits. Love & Yoon, *supra*

at 9. By contrast, operating companies, individuals, and universities are more likely to sue in other districts. Chien & Risch, *supra* at 3-4, 40.

The troll business model explains this difference in behavior. As the FTC's recent report describes, "litigation PAEs" sign licenses that are "less than the lower bounds of early stage litigation costs," a finding "consistent with nuisance litigation, in which defendant companies decide to settle based on the cost of litigation rather than the likelihood of their infringement." Federal Trade Commission, *Patent Assertion Entity Activity: An FTC Study*, https://www.ftc.gov/reports/patent-assertion-entity-activity-ftc-study, 2016. Rather than seek a decision on the merits and damages commensurate with the value of patented technology, litigation PAEs instead seek to leverage the high cost of litigation to coerce nuisance-value settlements keyed not to the merits of the lawsuit, but the cost of litigation. Mark A. Lemley & A. Douglas Melamed, *Missing the Forest for the Trolls*, 113 Colum. L. Rev. 2117 (2013). Further, unlike operating companies that sell products, litigation PAEs generally lack customers and regular operations and therefore have the flexibility to incorporate and file suit based solely on litigation considerations, through shell companies or otherwise.

Forum shopping in general impairs the operation of law, disadvantages those who lack the resources to engage in forum shopping, and creates economic waste. Jeanne C. Fromer, *Patentography*, 85 N.Y.U. L. Rev. 1444, 1464-1465 (2010). The rise of the troll business model exacerbates these problems in patent litigation, creating a particularly urgent need for the Court to decide this case in favor of the petitioner. This Court has previously

warned against the problems of abusive patent litigation. More than a century ago, it worried about the rise of "a class of speculative schemers who make it their business to watch the advancing wave of improvement, and gather its foam in the form of patented monopolies, which enable them to lay a heavy tax upon the industry of the country, without contributing anything to the real advancement of the arts." *Atlantic Works v. Brady*, 107 U.S. 192, 200 (1883). And in *Commil v. Cisco*, this Court recently said:

> The Court is well aware that an "industry has developed in which firms use patents not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees." *eBay Inc. v. MercExchange, L. L. C.*, 547 U. S. 388, 396 (2006) (KENNEDY, J., concurring). Some companies may use patents as a sword to go after defendants for money, even when their claims are frivolous.

576 U.S. __, 135 S.Ct. 1920 (2015).

Because troll suits now dominate patent litigation nationwide, the ability of trolls to choose forums has led to an overall concentration of 44 percent of all patent cases in the Eastern District of Texas in 2015. Among cases initiated from 2014 through 2016, one U.S. District Judge on the Eastern District of Texas—Judge Rodney Gilstrap of Marshall, Texas—was assigned almost one quarter of all patent case filings nationwide, more than the total number of patent cases assigned to all federal judges in California, New York, and Florida combined.[3]

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3. According to Lex Machina, between January 1, 2014 and June 30, 2016 Judge Gilstrap was assigned 3,166 new patent suits,

This level of concentration is a problem for the legal system whatever one thinks of the decisions of the Eastern District of Texas and regardless of how fair and capable the judges there are. Simply from a logistical standpoint, the current caseload in the Eastern District of Texas is problematic. If even 10 percent of the 1,686 patent cases assigned to Judge Gilstrap in 2015 go to trial, he would need to preside over three to four patent trials per week every week for an entire year to avoid creating a backlog.

Congress did not intend to concentrate patent cases in a single court in this way, much less a court chosen by only one side. When Congress decided to consolidate patent appeals in the newly-created United States Court of Appeals for the Federal Circuit, it deliberately chose to include both appeals from the United States Patent and Trademark Office and the district courts, so the new court would not hear only appeals from patent owners. And it considered and rejected proposals to create a specialized district court to hear patent cases. Indeed, when Congress passed the Patent Pilot Program, which permits (on a temporary, experimental basis) some level of district court specialization in patent cases, it deliberately allowed the program to come into force only if a sufficient number of judges in at least six districts, three large and three small, agreed to participate. Patent Cases Pilot Program, Public Law 111-349, § 1(b)(2)(B). Congress did so precisely to avoid effectively ceding the trial of patent cases to one or a few judges in a single court. But the Federal Circuit's interpretation of § 1400(b) has in practice created just such a court

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more than the combined total of all district courts in California, Florida, and New York: 2,656. Love & Yoon, *supra*, at 5 (collecting these statistics).

The statute creating the Patent Pilot Program also requires the Director of the Administrative Office of the United States Courts to report periodically on the pilot's progress, including on "any evidence indicating that litigants select certain of the judicial districts ... in an attempt to ensure a given outcome." *Id.* at § 1(c)(1)(d). The regime created by the Federal Circuit's patent venue jurisprudence clearly runs afoul of Congress's desire to ensure that district court specialization produces efficiency and expertise, not skewed outcomes.

The current distribution of patent litigation filings is the result of strategic behavior by a specific type of patent enforcer, not an artifact of proximity to the original locus of invention or alleged infringement. Forum-shopping plaintiffs will naturally gravitate towards whatever district seems to have the most favorable rules. The effect of the Federal Circuit's decision to expand patent venue beyond the scope of the statute and this Court's decisions has been to achieve precisely the concentration and skewed outcomes that the Patent Pilot Program has carefully sought to avoid.

CONCLUSION

The Federal Circuit's permissive venue rule has fundamentally shaped the landscape of patent litigation in ways that harm the patent system, by enabling extensive forum shopping and forum selling, supporting opportunistic patent litigation by patent trolls, and creating undue case concentration. This Court should curb abuse of venue based on its misinterpretation of § 1400(b).

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TC HEARTLAND LLC,

Petitioner,

v.

KRAFT FOOD BRANDS GROUP LLC,

Respondent.

On Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

BRIEF OF THE SOFTWARE & INFORMATION INDUSTRY ASSOCIATION AS *AMICUS CURIAE* IN SUPPORT OF PETITIONER

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INTEREST OF *AMICUS CURIAE*[1]

Amicus curiae Software & Information Industry Association ("SIIA") is the principal trade association for the software and digital information industries. The 700-plus software companies, search engine providers, data and analytics firms, information service companies, and digital publishers that constitute SIIA's membership serve nearly every segment of society, including business, education, government, healthcare, and consumers.

SIIA's members regularly are targeted by made-for-litigation entities who assert infringement of patents they do not practice. Such non-practicing entities, who may exist on paper only and typically have few or no employees to inconvenience, generally file their lawsuits in hand-picked district courts with well-established reputations for imposing procedures and delivering outcomes favorable to patent holders, and which have no connection to the dispute beyond the fact that a nationally distributed product was sold or used there.

Amicus has substantial interests in restoring the statutory limits on patent venue, redressing the forum shopping that has infected patent litigation in recent years, and ensuring that the balance struck by Congress in 28 U.S.C. § 1400(b) is respected.

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[1] Pursuant to Supreme Court Rule 37.6, counsel for *amicus curiae* states that no counsel for a party authored any portion of this brief, and no person other than *amicus curiae* or its counsel or members made any monetary contribution intended to fund the preparation or submission of the brief. All parties have consented to the filing of this brief.

SUMMARY OF THE ARGUMENT

Sixty years ago, in *Fourco Glass Co.* v. *Transmirra Products Corp.*, 353 U.S. 222 (1957), this Court answered the very question presented here: "whether 28 U.S.C. § 1400(b) is the sole and exclusive provision governing venue in patent infringement actions, or whether that section is supplemented by 28 U.S.C. § 1391(c)." *Id.* at 222. The pertinent provisions of both the specific patent venue statute and the general venue provision in effect today are materially identical to those in effect in *Fourco*. Accordingly, this Court should reaffirm *Fourco* and reverse the decision below.

I. The Court should adhere to *Fourco*'s settled interpretation.

A. *Fourco* held that Section 1400(b) stands alone and permits patent-infringement suits against corporations only where they are incorporated or have a regular and established place of business and committed acts of infringement. 353 U.S. at 226, 229.

B. In 1990, the Federal Circuit distinguished *Fourco* on the basis of a 1988 amendment, which changed Section 1391(c)'s stated sphere of applicability from "for venue purposes" to "[f]or purposes of venue under this chapter." *VE Holding Corp.* v. *Johnson Gas Appliance Co.*, 917 F.2d 1574, 1579 (Fed. Cir. 1990). The court of appeals rejected *Fourco* based on this minor modification, arguing that the change entitled it to interpret the statute "as a matter of first impression." That decision was incorrect. Nothing in the text or history of the 1988 amendment even remotely suggested that Congress intended to end the

venue rules that had governed patent cases specifically for decades.

Regardless, in 2011, Congress amended Section 1391(c) again, restoring the pertinent language to much the same as existed when *Fourco* was decided: "for all venue purposes." Congress further clarified that Section 1391 applies "[e]xcept as otherwise provided by law." 28 U.S.C. § 1391(a). Thus, even if *VE Holding* were correct when it was decided—and it was not—Section 1391(c) now has been returned to substantially the same language as existed when *Fourco* was decided. There accordingly should be no doubt that *Fourco*'s construction of Congress's venue statutes is the law today.

C. Under this Court's principles of *stare decisis*, *Fourco should* remain the law. Far from presenting any "special justification" for overturning *Fourco*, changes in the decades since the decision issued have confirmed that its rule remains correct. *See Kimble* v. *Marvel Entm't, LLC*, 135 S. Ct. 2401, 2409 (2015). Section 1391(c) allows the exercise of venue over a corporate defendant up to the very limits of the Due Process Clause. Reading that provision into Section 1400(b) would effectively eliminate the venue limitations Congress enacted Section 1400(b) to install.

II. Decades of experience have shown how critical these limitations are. The Federal Circuit's rejection of *Fourco* has opened the doors of virtually every district court in the nation to infringement suits against virtually every technology and software company. The rampant and unseemly forum shopping that has followed imposes outsized costs on innovation in this critical industry.

A. Non-productive paper entities, known as "patent trolls," have taken full advantage of the opportunity to select the court that will hear their cases. Unsurprisingly, trolls have concentrated their suits in districts that accord them procedural and substantive advantages. Motions to transfer "[f]or the convenience of parties and witnesses, in the interest of justice," under 28 U.S.C. § 1404(a) have not cured this problem.

B. Forum shopping contributes to many of the evils of modern patent litigation. Patent trolls naturally select districts that are less likely to terminate litigation before trial. Not only are dispositive pretrial motions generally unsuccessful in these forums; typically, these courts require defendants to engage in time-consuming and expensive discovery—often including vast document production and depositions of key engineers that distract them from critical functions within their company—before the court will even decide the motions. Even when the litigation clearly lacks merit, these burdens often compel defendants to settle. Massive verdicts that predictably favor plaintiffs—the top patent district once maintained an eighteen-year streak where no jury found for a defendant—add more pressure to abandon meritorious defenses in favor of a speedy resolution.

Forum shopping thus hampers innovation, generates erroneous results, and undermines respect for the rule of law. Reaffirming *Fourco* would alleviate these ills and restore the balance of convenience and fair play among patent litigants struck by Congress.

ARGUMENT

I. THIS COURT'S SETTLED INTERPRETATION OF THE PATENT VENUE STATUTE CONTROLS THIS CASE.

Ever since Congress, in the late nineteenth century, passed a restrictive patent venue statute to curb forum shopping and its attendant abuses, this Court consistently has held that a defendant corporation may not be sued in a venue where it is not incorporated if it has no regular and established place of business in that district. The Court repeatedly has explained that "where the defendant resides" (and its synonyms), as used in the special patent venue statute, means only a corporation's place of incorporation. This Court has hewed to this settled interpretation even in view of Congressional rewordings of the patent venue statute and in view of the existence of a general venue statute, 28 U.S.C. § 1391(c).

Despite this settled interpretation, in 1990, the Federal Circuit jettisoned this Court's precedent based on a minor change in Section 1391(c)'s statement of its applicability. That decision was erroneous. But even if it were not, Congress again amended Section 1391 in 2011, and undid the changes to Section 1391 that undergirded the Federal Circuit's reasoning. The pertinent language is now materially identical to the language in effect when this Court last considered the proper scope of Section 1400(b) in *Fourco*. *Fourco* accordingly controls.

A. This Court Conclusively Interpreted The Patent Venue Statute In *Fourco*.

In 1897, Congress passed a special patent venue statute designed as "a restrictive measure" to "limit[] a prior, broader venue" and to "define the exact limits of venue in patent infringement suits." *Stonite Prods. Co.* v. *Melvin Lloyd Co.*, 315 U.S. 561, 566 (1942). Congress was aware of the abuses of then-called "patent sharks," who used the threat of inconvenient legal proceedings to extract settlements. *See* Colleen V. Chien & Michael Risch, *Recalibrating Patent Venue* 7-8 (Santa Clara Univ. Legal Studies Research Paper No. 10-1, 2016), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2834130. As the 1897 Act's primary sponsor noted, its "main purpose" was to restrict patent venue to districts where a defendant had "established" a "permanent agency," as opposed to anywhere "[i]solated cases of infringement" had occurred. 29 Cong. Rec. 1900 (daily ed. Feb. 16, 1897) (statement of Rep. Lacey); *see also* Pet. Br. 2-4, 21-23.

In *Stonite*, this Court held that Section 48 of the Judicial Code, derived from the 1897 Act, was "the exclusive provision controlling venue in patent infringement proceedings" and is not "supplemented by § 52 of the Judicial Code," a general venue provision. 315 U.S. at 561-63. In 1948, Congress re-codified Section 48 as 28 U.S.C. § 1400(b), with some immaterial word changes. *See Fourco Glass Co.* v. *Transmirra Prods. Corp.*, 353 U.S. 222, 225-26 (1957).[2]

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[2] Section 48 of the Judicial Code had read: "In suits brought for the infringement of letters patent the district courts of the United States shall have jurisdiction, in law or in equity, in the district of which the defendant is an inhabitant, or in any district

Then, in *Fourco*, the Court held that Section 1400(b), like its predecessor, stands alone. 353 U.S. at 229. The Court reversed the Second Circuit, which had held that Section 1400(b) should be read in light of a new provision, 28 U.S.C. § 1391(c), which the court of appeals had viewed as "defin[ing] ... corporate residence" in all venue provisions. *Fourco*, 353 U.S. at 223-24 (citation omitted). Section 1391(c) stated that "any judicial district in which [a corporation] is incorporated or licensed to do business or is doing business ... shall be regarded as the residence of such corporation for venue purposes." *Fourco*, 353 U.S. at 223.

Nonetheless, "[h]owever inclusive may be the general language of a statute, it 'will not be held to apply to a matter specifically dealt with in another part of the same enactment. ... Specific terms prevail over the general in the same or another statute which otherwise might be controlling.'" *Fourco*, 353 U.S. at 228-29 (quoting *D. Ginsberg & Sons, Inc.* v. *Popkin*, 285 U.S. 204, 208 (1932)); *accord*, *e.g.*, *Bloate* v. *United States*, 559 U.S. 196, 207-08 (2010); *see* Pet. Br. 26-28. Applying this "settled" canon, the Court held that Section 1391(c) "is a general corporation venue statute," which does not affect the "special venue statute," Section 1400(b). *Fourco*, 353 U.S. at 228. However "clear and generally embracive" Section 1391(c) is, Section

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in which the defendant, whether a person, partnership, or corporation, shall have committed acts of infringement and have a regular and established place of business." *Fourco*, 353 U.S. at 225. In this context, "resident" and "inhabitant" are synonymous and "mean the state of incorporation only." *Id.* at 226; *see also* Pet. Br. 2-6.

1400(b) is "equally clear." *Ibid.* Section 1400(b) "is complete, independent and alone controlling." *Ibid.*

Fourco thus reaffirmed *Stonite*'s holding that the special patent venue statute stands on its own and is not to be read in light of any definition in the general venue statute. *Fourco*, 353 U.S. at 223-24, 228-29. The Court reaffirmed *Stonite* because Congress's later re-codifications and revisions to the patent venue statute were not "substantive." *Id.* at 225-28. Thus, *Fourco* "h[e]ld that 28 U.S.C. § 1400(b) is the sole and exclusive provision controlling venue in patent infringement actions, and that it is not to be supplemented by the provisions of 28 U.S.C. § 1391(c)." *Id.* at 229.

Under *Fourco*'s stand-alone interpretation of Section 1400(b), a corporation is resident in "the state of incorporation only." *Fourco*, 353 U.S. at 226. That is how corporate residence was understood when the patent venue statute was enacted (as even respondent admits, BIO 7 n.1), and Congress has not amended that definition (as it did for actions arising under different laws). *Fourco*, 353 U.S. at 226 (citing *Shaw* v. *Quincy Mining Co.*, 145 U.S. 444, 449 (1892)). Patent-infringement lawsuits therefore may be brought only where the defendant is incorporated "or where the defendant has committed acts of infringement and has a regular and established place of business." 28 U.S.C. § 1400(b); *Fourco*, 353 U.S. at 223. As respondent recognizes, under *Fourco*, these are the "only two choices for where patent infringement cases 'may be brought.'" BIO 7.

B. The Federal Circuit Departed From This Court's Interpretation Based On A Non-Substantive Change That, In Any Event, Congress Has Since Repealed.

1. *The Federal Circuit Misread A Minor 1988 Amendment As Upending The Law Of Patent Venue.*

This Court's word remained the law of patent venue until 1990, when the Federal Circuit found *Fourco* no longer to be controlling. *See VE Holding Corp.* v. *Johnson Gas Appliance Co.*, 917 F.2d 1574, 1579 (Fed. Cir. 1990). The court of appeals concluded that a 1988 revision to Section 1391(c), which had changed "for venue purposes" to the less general "[f]or purposes of venue under this chapter," required that court to reexamine the interplay of Section 1391(c) and Section 1400(b) "as a matter of first impression." *Ibid.*

The Federal Circuit reasoned that the statutory language interpreted in *Fourco* was "nonspecific," and that "Section 1391(c) as it was in *Fourco* is no longer." *VE Holding*, 917 F.2d at 1579. Believing the interpretative slate to be blank, the court of appeals wrote that "Section 1391(c) applies to all of chapter 87 of title 28, and thus to § 1400(b), as expressed by the words 'For purposes of venue under this chapter.'" *Id.* at 1580. But the Federal Circuit did not suggest why the even more general language at issue in *Fourco*—"for venue purposes"—would not, "as a matter of first impression," lead to the same result. *Id.* at 1579; *see* Pet. Br. 24-26. And the Federal Circuit located nothing in the history of the 1988 amendment to suggest that Congress intended to free patent infringement cases from

the venue strictures specifically legislated 89 years before.

The Federal Circuit's reading of Section 1391(c) was incorrect. "Fundamental changes in the scope of a statute are not typically accomplished with so subtle a move." *Kellogg Brown & Root Servs., Inc.* v. *United States*, 135 S. Ct. 1970, 1977 (2015). Rather, this Court "expect[s]" to see "language that made this important modification clear to litigants and courts." *Ibid.* Here, the provision amending Section 1391(c) was located in a "Miscellaneous Amendments" title of the 1988 Act, and Congress classified it as among that Act's "miscellaneous provisions dealing with relatively minor discrete proposals." H.R. REP. NO. 100-889, at 66 (1988), *reprinted in* 1988 U.S.C.C.A.N. 5982, 6027.

Both Congress's reference to the amendment as "Miscellaneous" and the House Report's characterization of it as "minor" bely respondent's suggestion that it effected a "sweeping" revision of patent venue. *Chisom* v. *Roemer*, 501 U.S. 380, 396 n.23 (1991). It is "most improbable" that Congress would make "[s]uch a major change" without "any mention in the legislative history"—beyond calling the amendment "minor." *United Sav. Ass'n of Tex.* v. *Timbers of Inwood Forest Assocs.*, 484 U.S. 365, 380 (1988). *VE Holding* therefore erred in finding an elephant in the mousehole Congress dug in 1988. *See Whitman* v. *Am. Trucking Ass'ns, Inc.*, 531 U.S. 457, 468 (2001); Pet. Br. 31.

2. *The 2011 Amendment Restored The Language Interpreted In* Fourco.

Even if *VE Holding*'s reasoning was correct when it was decided—and it was not—in 2011, Congress revised Section 1391(c) again to make it materially identical to the version this Court already had interpreted in *Fourco*. *See* Pet. App. 4a-5a. The version of Section 1391(c) in effect when *Fourco* was decided stated that its corporate residency provisions applied "for venue purposes." 353 U.S. at 323. The version in effect since 2011 says "[f]or all venue purposes." Pet. App. 5a.

28 U.S.C. § 1391(c) (1948)	**28 U.S.C. § 1391(c)(2) (2011)**
(c) A corporation may be sued in any judicial district in which it is incorporated or licensed to do business or is doing business, and such judicial district shall be regarded as the residence of such corporation **for venue purposes**.	(c) Residency.—**For all venue purposes**— ... (2) an entity with the capacity to sue and be sued in its common name under applicable law, whether or not incorporated, shall be deemed to reside, if a defendant, in any judicial district in which such defendant is subject to the court's personal jurisdiction with respect to the civil action in question ...

The pertinent language is the same except for the addition of "all." Here, "the word[s] '[venue purposes]' ha[ve] no different meaning and can be ascribed no

different function in the context of § [1391(c)] than would the words 'all [venue purposes].'" *Train* v. *City of New York*, 420 U.S. 35, 44 (1975). Both are equally "nonspecific" (*VE Holding*, 917 F.2d at 1579); in context, they mean the same thing. Gone are the words "under this chapter" that *VE Holding* held to be the "exact and classic language of incorporation" and thus dispositive. *Ibid.*; *see also* Pet. 6.

Therefore, because there is "no substantive change" from the language this Court interpreted in *Fourco*, *Fourco* is still controlling. 353 U.S. at 228. Indeed, that was the very reason *Fourco* gave for reaffirming *Stonite*: Even though the statute had been amended, these revisions did not effect a "substantive change" in the statute. *Ibid.*

Respondent does not account for the substantive equivalence between the statutory language in effect in *Fourco* and the language in effect today. In its brief opposing certiorari, respondent argued that the 1988 amendments rendered Section 1391(c) "definitional," and thus that the statute today "define[s] 'resides' in § 1400(b) through § 1391(c)." BIO 11-14, 23-24. But this Court in *Fourco* rejected the same argument based on essentially the same statutory language. 353 U.S. at 223-24. At the time of *Fourco*, Section 1391(c) provided that the listed "judicial district *shall be regarded* as the residence of such corporation for venue purposes." *Id.* at 223 (emphasis added). Today, it provides that, "[f]or all venue purposes," a corporation "*shall be deemed* to reside, if a defendant, in" the listed "judicial district." 28 U.S.C. § 1391(c) (emphasis added). These two phrases—"shall be regarded" and "shall be deemed"—mean the same thing. "Shall be deemed" is no more "definitional" (BIO 11) than

"shall be regarded." If, as this Court held, the phrase "shall be regarded" does not "stat[e] a principle of broad and overriding application" sufficient to trump the specific venue provision (*id.* at 14 (quoting *Brunette Mach. Works, Ltd.* v. *Kockum Indus., Inc.*, 406 U.S. 706, 714 (1972)), then nor does "shall be deemed."

Apparently recognizing this obstacle to its statutory interpretation, respondent incorrectly attempts to rewrite *Fourco*, arguing that "*Fourco* did not directly address the import of" Section 1391(c)'s "ostensibly definitional clause." BIO 8. That is demonstrably incorrect. The Court both quoted that clause and rejected the court of appeals' interpretation of it as supplying "the definition of corporate residence" for Section 1400(b). *Fourco*, 353 U.S. at 223-24 (citation omitted). *Fourco* held that the "ostensibly definitional clause" did not in fact reach so far as to define away the meaning of "resides" in "the sole and exclusive provision controlling venue in patent infringement actions," Section 1400(b). *Id.* at 229.

Respondent does not, and cannot, explain how the Court in *Fourco* could have held that Section 1400(b) "is complete, independent and alone controlling in its sphere"—a sphere for which residence means "the state of incorporation only" (*id.* at 226, 228)—if Section 1391(c)'s "ostensibly definitional clause" (BIO 8) defined "resides" in Section 1400(b). Its assertions to the contrary cannot withstand scrutiny.

3. *Congress Specifically Limited Section 1391(c)'s Applicability.*

The revisions to Section 1391 since *Fourco*—there have been no revisions to Section 1400(b)—confirm

Fourco's holding that Section 1391's general provisions defining corporate residence do not apply to Section 1400(b). The 2011 amendment to Section 1391 not only deleted the change that *VE Holding* held dispositive (917 F.2d at 1579); it also added affirmative language explicitly providing that Section 1391 applies "*[e]xcept* as otherwise provided by law" (28 U.S.C. § 1391(a) (emphasis added)). Because Section 1400(b), as interpreted by this Court, is a different provision of law, providing "otherwise" than the general corporate residency provisions of Section 1391(c), Section 1400(b)—and not Section 1391(c)—alone governs within its sphere, just as it did in *Fourco*. 353 U.S. at 228; *see* Pet. Br. 39.

C. This Court's Interpretation Of Patent Venue Warrants *Stare Decisis* Treatment.

Respondent does not even argue that *Fourco* was wrong when it was decided, or provide any reason (other than the immaterial linguistic changes discussed in Part I.B, *supra*) that this Court should depart from *Fourco*. That is for good reason. *Fourco* warrants *stare decisis* treatment, and should be reaffirmed.

"*[S]tare decisis* in respect to statutory interpretation has 'special force.'" *John R. Sand & Gravel Co.* v. *United States*, 552 U.S. 130, 139 (2008). "Then, unlike in a constitutional case, critics of [the Court's] ruling can take their objections across the street, and Congress can correct any mistake it sees." *Kimble* v. *Marvel Entm't, LLC*, 135 S. Ct. 2401, 2409 (2015). "All" of this Court's "interpretive decisions, in whatever way reasoned, effectively become part of the statutory

scheme." *Ibid.*; *see* Pet. Br. 28-30. So a "special justification" is necessary to overrule *Fourco*. *Kimble*, 135 S. Ct. at 2409. If it "has not been undermined by subsequent changes or development in the law," it should be followed. *See Patterson* v. *McLean Credit Union*, 491 U.S. 164, 173 (1989).

Far from being undermined, *Fourco* was correctly decided and remains correct today. Section 1400(b)'s language provides for venue "[1] where the district resides, or [2] where the defendant has committed acts of infringement and has a regular and established place of business." 28 U.S.C. § 1400(b). The judicial district where a defendant resides, within the meaning of the statute special to patent infringement actions, is the place where it is incorporated. *Brunette*, 406 U.S. at 707 n.2.[3] As this Court reaffirmed in the years since *Fourco*, this result "is not affected by § 1391(c), which expands for general venue purposes the definition of the residence of a corporation," because in Section 1400(b) "Congress placed patent infringement cases in a class by themselves, outside the scope of general venue legislation." *Brunette*, 406 U.S. at 711-13.

The term "resides" must be interpreted as it was in *Fourco* if Section 1400(b) is to have any application. Respondent would construe Section 1400(b) "in a manner that renders it 'entirely superfluous in all but

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[3] Today, for purposes of diversity jurisdiction, a corporation is a "citizen" both where it is incorporated and where it has its principal place of business. 28 U.S.C. § 1332(c)(1). That relatively recent provision (*see Hertz Corp.* v. *Friend*, 559 U.S. 77, 84-88 (2010)) is distinct from the historically consistent meaning of "resides" in the special patent venue statute (*see Fourco*, 353 U.S. at 226).

the most unusual circumstances.'" *Roberts* v. *Sea-Land Servs., Inc.*, 132 S. Ct. 1350, 1358 (2012) (quoting *TRW Inc.* v. *Andrews*, 534 U.S. 19, 29 (2001)). Construing "resides" in clause [1] to impose no greater limit than that already imposed by "personal jurisdiction" (28 U.S.C. § 1391(c)(2)) obviates any need for clause [2]. Respondent's reading renders clause [1] superfluous (since Section 1391(b) already provides for venue where the defendant resides) and clause [2] a nullity. Under such a reading, no cases against corporations could be brought under clause [2] that do not also satisfy clause [1]. *Fourco*'s construction, in contrast, avoids surplusage problems by making personal jurisdiction an independent limit—whether venue is found under clause [1] or clause [2].

Moreover, only if residency is limited to the judicial district of incorporation can Section 1400(b) be squared with other statutory provisions. As respondent does not deny (BIO 20-22), its reading would define residency differently for venue purposes (in Section 1400(b)) than for service of process of a patent infringement action (in 28 U.S.C. § 1694). *See* Pet. Br. 32-33. And (as respondent does not even acknowledge) it would render nugatory Section 18(c) of the Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284, 331 (2011), which provides that an automated teller machine is not "a regular and established place of business." If a company's *residency* could be established by locating allegedly infringing ATMs in a district, as the Federal Circuit would have it, then this provision would be without force. *See* Pet. Br. 30-31.

Congress had ample opportunity to revise or eliminate Section 1400(b), but—as explained in Section

I.B, *supra*—it has declined to do so. There is thus no reason to think that Congress has overruled *Fourco*, and much reason to think that Congress has instead acted as if *Fourco* is "part of the statutory scheme." *Kimble*, 135 S. Ct. at 2409. While the decision below reasoned that Congress "recognized that *VE Holding* is the prevailing law" (Pet. App. 8a), it is *this Court's* interpretation that forms part of the statutory scheme. The "construction of a statute of the United States concerning patents for inventions cannot be regarded as judicially settled when it has not been so settled by the highest judicial authority which can pass upon the question." *Andrews* v. *Hovey*, 124 U.S. 694, 716 (1888). The venerable doctrine that, "where the meaning of a statute has been settled by judicial construction, that construction becomes a part of the statute, is not applicable" to a lower court's construction. *Ibid.* If "this [C]ourt" has not yet addressed the question—perhaps due to the difficulty of seeking "appellate review of a venue issue" (Cert. Reply at 8-9)—this Court does not presume that Congress treats the last pronouncement of the "Circuit Court" as definitive. *Andrews*, 124 U.S. at 716. That is especially so where, as here, the Court already *has* answered the question—the opposite way as the circuit court.

This Court should reverse the decision below and reaffirm that *Fourco* is still the law.

II. THE UNSEEMLY FORUM SHOPPING PERMITTED UNDER THE FEDERAL CIRCUIT'S CONSTRUCTION OF THE STATUTE IS A SIGNIFICANT DRAG ON INNOVATION.

There is another reason to "follow" *Fourco*: numerous "prudential and pragmatic considerations"

supporting an independent interpretation of Section 1400(b) have become evident through 27 years' experience under the Federal Circuit's erroneous alternative construction. *Planned Parenthood of Se. Penn.* v. *Casey*, 505 U.S. 833, 854 (1992) (opinion of O'Connor, Kennedy, and Souter, JJ.). Since 1990, patent plaintiffs have had their choice to sue in any of the country's 94 district courts, without meaningful limit. The consequences have been dreadful: As numerous scholars, inventors, and producers have noted, unscrupulous patentees have taken full advantage of their ability to dictate the rules, norms, and judges that will govern the litigation they bring. Non-practicing entities, in particular, have chosen to litigate in districts that accord their allegations favorable treatment, in both procedure and substance. Their typical targets—cutting-edge technology companies of all sizes, like amicus's members—bear the worst consequences of the Federal Circuit's misinterpretation of the statute. Indeed, fully 60 percent of all cases brought by non-practicing entities are filed in an improper venue.

Forum shopping is transforming patents from tools to encourage innovation into weapons with which to exact tribute from productive companies. Today, the reward for successful innovation often consists of patent infringement lawsuits tenuously connected to the accused products, and filed in courts that will all but guarantee a trial. Fight or settle, the innovative company faces a hefty bill, a drag on its engineers' time and focus, and the risks of legal uncertainty. This forum shopping has made patent litigation a significant cost of, and deterrent to, innovation. There is no warrant for it in the statute, and it should end.

A. The Federal Circuit's Loose Venue Standard Has Generated Rampant And Unseemly Forum Shopping.

1. VE Holding *Has Rendered Patent Litigation Dysfunctional.*

The Federal Circuit's 1990 decision in *VE Holding*, which adopted respondent's reading of the venue statute, removed the bulwark against forum shopping that had been in place for nearly 90 years. *VE Holding* held that Section 1391(c) governs venue in patent cases. 917 F.2d at 1579-84; *accord* Pet. App. 4a. That section provides that a corporation or other legal entity may be sued wherever it is "subject to the court's personal jurisdiction." 28 U.S.C. § 1391(c)(2); *see also VE Holding*, 917 F.2d at 1578, 1584. The most salient impact of allowing patent venue to the limits of personal jurisdiction has been to empower non-practicing entities to file suit virtually anywhere in the country.

For example, the court of appeals recently found personal jurisdiction over a defendant manufacturer in Delaware because it sends its "accused products to Delaware retailers," even though a third party "takes title in Finland, and pays for and directs shipments to the United States." *Polar Electro Oy* v. *Suunto Oy*, 829 F.3d 1343, 1350 (Fed. Cir. 2016).[4] Other decisions of the Federal Circuit have deemed nearly any

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[4] The Court is considering the limits of personal jurisdiction in *Bristol-Myers Squibb Co.* v. *Super. Ct. of Cal., San Francisco Cnty.*, No. 16-466. While *Bristol-Myers* may restrict somewhat the broad personal jurisdiction the Federal Circuit currently permits (*see* Bristol-Myers Pet. 15), it cannot restore the independent venue restriction enshrined in the special patent venue statute.

location where infringement occurs sufficient for "personal jurisdiction"—and thus also sufficient to satisfy Section 1391(c)(2). Under Federal Circuit law, "purposefully shipp[ing] the accused [product] into [the forum] through an established distribution channel" may be enough to subject a defendant otherwise unconnected with the forum to suit there. *Beverly Hills Fan Co.* v. *Royal Sovereign Corp.*, 21 F.3d 1558, 1565 (Fed. Cir. 1994).

In application, this principle operates only in favor of patentees: A company accused of infringing a patent may not bring a declaratory judgment action against a defendant patentee in a venue of the company's choice. Unlike the rule in "the ordinary patent infringement suit," the defendant patentee's "acts of making, using, offering to sell, selling, or importing products" in the forum do not confer personal jurisdiction. *Avocent Huntsville Corp.* v. *Aten Int'l Co.*, 552 F.3d 1324, 1332, 1336 (Fed. Cir. 2008). And where the patentee is a non-practicing entity that has no meaningful operations, venue generally only is available in its district of incorporation.

As now-Judge (and author of the decision below), then-Professor, Kimberly Moore explained, these one-sided "liberalizations of the jurisdiction and venue statutes, combined with the technological feasibility and ease of national commerce, have greatly expanded the plaintiff's choice of forum, which in turn has intensified and facilitated forum shopping. This means that national corporations may be sued in virtually any U.S. district court." Kimberly A. Moore, *Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation?*, 79 N.C. L. Rev. 889, 897 (2001). Today, even more than in 2001, "*VE Holding* basically

permits patent owners to sue [corporations] for infringement anywhere." Chien & Risch, *supra*, at 4. Technology and software companies, whose products and services—which increasingly are sold online or are themselves online—are available nationwide now find themselves subject to suit in "a large number of U.S. district courts, if not all ninety-four." Jonas Anderson, *Congress as a Catalyst of Patent Reform at the Federal Circuit*, 63 Am. U. L. Rev. 961, 986 (2014) ("Anderson 2014").

As a result, the *majority* of cases filed today are brought in venues where the defendant is neither incorporated nor has any regular and established place of business, i.e., venues not permitted by *Fourco*. Chien & Risch, *supra*, at 34-35. Plaintiffs select districts with little connection to the defendant or its alleged infringement: Defendants are "sued in the district of their primary place of business only 14% of the time" and in districts housing *any* place of business (including "retail stores") only "29% of the time." *Id.* at 31.

Many of those suits in inconvenient and improper venues are brought by patent trolls. This Court has recognized that patent "[t]rolls," which "are entities that hold patents for the primary purpose of enforcing them against alleged infringers," harm the patent system by "exacting outsized licensing fees on threat of litigation." *Halo Elecs., Inc.* v. *Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1935 (2016). Trolls bring 60% of their lawsuits in venues that are improper under *Fourco*. Chien & Risch, *supra*, at 34.

Technology and software companies like amicus's members are especially likely to find themselves the

target of trolls armed with weak but broad and vague patents. An October 2016 Federal Trade Commission study found that trolls "focused on ... asserting Information and Communication Technology" patents, especially "software patents." Fed. Trade Comm'n, Patent Assertion Entity Activity 5 (2016); *see also id.* ch. 5. Indeed, "[s]oftware patents may account for over ninety percent of troll[s'] most-litigated patents." Debra Brubaker Burns, *Titans and Trolls Enter the Open-Source Arena*, 5 Hastings Sci. & Tech. L.J. 33, 65 (2013).

Even small technology startups have become targets of patent trolls—in part because patent litigation can be disproportionately disruptive to such nascent firms. *See* Colleen Chien, *Startups and Patent Trolls*, 17 Stan. Tech. L. Rev. 461, 464, 472-78 (2014). In the technology industry especially, demands and lawsuits from patent trolls "unsettle the operation of small companies," including by impacting their funding. Garry A. Gabison, *Spotting Software Innovation in a Patent Assertion Entity World*, 8 Hastings Sci. & Tech. L.J. 97, 135 (2016). And, as the Executive Office of the President has warned, "[e]ven if patent assertion entities do not prevail in the courtroom, their actions can significantly reduce incremental innovation while litigation is ongoing, a situation that can persist for years." Executive Office of the President, *Patent Assertion and U.S. Innovation* 10 (2013), https://obamawhitehouse.archives.gov/sites/default/files/docs/patent_report.pdf; *accord*, *e.g.*, James Bessen et al., *The Private and Social Costs of Patent Trolls,* 34 Regulation, Winter 2011-2012, at 26.

Patent trolls "frequently attempt to capitalize on their virtually unencumbered choice of venue to shop

for the best district courts to file their suits." Kevin A. Meehan, *Shopping for Expedient, Inexpensive & Predictable Patent Litigation*, 2008 B.C. Intell. Prop. & Tech. F., Nov. 2008, at 1, http://bciptf.org/2008/11/meehan. Plaintiffs have used their nearly boundless choice of forum to concentrate lawsuits in a few courts. In 2015, 44% of all lawsuits alleging patent infringement were filed in the Eastern District of Texas. *See* Chien & Risch, *supra*, at 37; Pet. Br. 14-16. In 2016, the Eastern District's share was 36%. Brian Howard, *Lex Machina Q4 Litigation Update*, Lex Machina (Jan. 12, 2017), https://lexmachina.com/q4-litigation-update. Indeed, *one judge* in Marshall, Texas hears *a quarter* of the nation's patent cases. *See* Brian J. Love & James Yoon, *Predictably Expensive: A Critical Look at Patent Litigation in the Eastern District of Texas*, 20 Stan. Tech. L. Rev. 1, 6-8 & nn.21, 26 (2017); Kaleigh Rogers, *The Small Town Judge Who Sees a Quarter of the Nation's Patent Cases*, Vice (May 5, 2016, 9:00 AM), http://motherboard.vice.com/read/the-small-town-judge-who-sees-a-quarter-of-the-nations-patent-cases. This court is remote from most technology companies and population centers, containing "no major cities" (Daniel Klerman & Greg Reilly, *Forum Selling*, 89 S. Cal. L. Rev. 241, 271 (2016)), only "about 1% of the total U.S. population" (Chien & Risch, *supra*, at 3), and not "so much as a single office" of *any* "of the U.S. computer industry's most prolific patent applicants" (Love & Yoon, *supra*, at 8-9). It is not surprising, then, "that less than 2% of patent suits brought in the Eastern District were filed to enforce patented technology invented in East Texas and that less than 8% were filed against defendants with a corporate office located in the district." *Id.* at 10. By contrast,

"close to 90% of cases filed in the Northern District of California involved either a patent invented in the district or an accused infringer with an office in the district." *Ibid.* Yet the Eastern District of Texas attracts more cases than all technology centers, including the Northern District of California, combined. *Id.* at 7 & n.23.

The Eastern District of Texas has become the "location of choice" for patent trolls. Love & Yoon, *supra*, at 3, 6-11; *accord, e.g.*, Joe Mullin, *Trolls Made 2015 One of the Biggest Years Ever for Patent Lawsuits*, ArsTechnica (Jan. 5, 2016), http://arstechnica.com/tech-policy/2016/01/despite-law-changes-2015-saw-a-heap-of-patent-troll-lawsuits. In 2015, one of the most active years of patent litigation, over two-thirds of cases were filed by non-practicing entities—and those non-practicing entities chose the Eastern District of Texas for the vast majority of their targets. *See* RPX, *2015 NPE Activity Highlights* 4-5, 9 (2016), http://www.rpx-corp.com/wp-content/uploads/sites/2/2016/01/RPX-2015-NPE-Activity-Highlights-FinalZ.pdf. A recent study found that over 90% of patent cases in the Eastern District of Texas assert computing and telecommunications patents, and over 90% of patent plaintiffs in that court are trolls. Love & Yoon, *supra*, at 9.

Respondent argues that its interpretation would "bring patent venue in closer harmony with general venue standards" (BIO 19), but forum shopping is peculiarly prevalent in patent cases. Non-patent cases are much less concentrated: While 44% of patent suits were filed in East Texas in 2015, for non-patent suits "the top-district attracted only 14% of all cases." Chien & Risch, *supra*, at 33. Contrary to respondent's argument that Congress would not have foreseen the

"forum-shopping 'revolution'" in patent cases and thus sensibly chose to treat patent cases like any other (BIO 20), Congress has always had ample reason to guard patent cases in particular from the evils of forum shopping even as it expanded plaintiffs' choice of venue for other cases. *See* Pet. Br. 33-34.

2. Motions To Transfer For Convenience Have Not Solved The Problem.

Motions to transfer brought under 28 U.S.C. § 1404(a) have not been able to cure the misalignment of patent and non-patent cases as patent trolls have devised vulpine strategies to defeat motions to transfer—and chosen courts that are likely to bless their strategies. Klerman & Reilly, *supra*, at 260-63. "[S]erial patent litigants, such as non-practicing entities and their counsel" have engaged in transparent "manipulation of venue" to avoid transfer. Paul R. Gugliuzza, *The New Federal Circuit Mandamus*, 45 Ind. L. Rev. 343, 388 (2012). For example, a patent troll "transported copies of its patent prosecution files" into East "Texas office space" and successfully argued to the Eastern District of Texas that the suit should remain in that court rather than moving to a court where the defendant, with its numerous employees and witnesses, maintained its principal place of business. *In re Zimmer Holdings, Inc.*, 609 F.3d 1378, 1381-82 (Fed. Cir. 2010).

These strategies impose little costs on trolls, which "generally lack a principal place of business—or, for that matter, assets other than the patents-in-suit"—and, consequently, enjoy "the flexibility to form LLCs and file suit wherever they deem most advantageous for litigation purposes." Love & Yoon, *supra*, at

12. "Many have noted the proliferation of empty offices in East Texas leased by patent-holding LLCs for purposes of manufacturing an apparent connection to the Eastern District." *Id.* at 12 n.35. Even though "cases litigated in the Eastern District of Texas overwhelmingly involve patents covering inventions made elsewhere, asserted against parties located elsewhere, and by plaintiffs with little or no connection to the region prior to filing a complaint," and thus motions to transfer under Section 1404(a) are uncommonly meritorious, that district is "*less* likely" to "grant motions to transfer." Love & Yoon, *supra*, at 12-13, 16 (emphasis added).

When a court denies transfer, defendants' only recourse is mandamus, which requires showing that the district court clearly abused its discretion in applying a multifactor test. *See In re TS Tech USA Corp.*, 551 F.3d 1315, 1318-19 (Fed. Cir. 2008). This "even higher burden" than ordinary review of discretionary district court decisions (*id.* at 1319) makes it difficult for the court of appeals to correct even blatant errors. Yet the Federal Circuit has identified many cases that meet even this high threshold. Since *TS Tech*, it has begun rectifying a handful of the most egregious transfer denials. *See* Klerman & Reilly, *supra*, at 260-61; *see also*, *e.g.*, EFF Cert. Br. 13. Indeed, it has granted mandamus to order transfer 17 times since *TS Tech*, while all other courts of appeals have done so only 5 times *combined*. That is so even though the Federal Circuit applies the same law as those regional circuits. *See TS Tech*, 551 F.3d at 1319.

Seventeen is a relatively large number of writs of mandamus—but it is a tiny fraction of the patent cases brought in inconvenient and improper forums.

Indeed, "the transfer rate actually has declined" since *TS Tech*, due in part to strategies like incorporating and placing "nominal headquarters" in their district of choice. Chien & Risch, *supra*, at 19. And, because patentees' favored courts frequently delay ruling on transfer motions while proceeding with discovery and substantive phases of the case—a practice known to patent litigants as a "pocket veto"—patentees can impose great costs on defendants even if they ultimately win transfer by mandamus. *See* Love & Yoon, *supra*, at 16. Indeed, defendants have been forced to seek mandamus to require the district court to *rule* on transfer motions, incurring great costs in the meantime. *See, e.g.*, *In re Google Inc.*, No. 2015-138, 2015 WL 5294800, at *1-2 (Fed. Cir. July 16, 2015).

Thus, patent trolls have been able to select the district of their choice for their lawsuits—even though their suits have "no connection whatsoever to the district" (Klerman & Reilly, *supra*, at 261-63)—and remain fairly assured that their choice of a plaintiff-friendly forum will stick at least long enough to extract a settlement.

B. Forum Shopping Is The Root Of Many Problems In Patent Law.

Patent plaintiffs choose particular districts in which to sue because those districts favor them, procedurally and substantively. *See* Pet. Br. 16; EFF Cert. Br. 14-21. Indeed, even a decade ago, commentators already recognized that "some districts appear to be competing for patent litigation" by adopting practices favorable to patent asserters. Meehan, *supra*, at *4-5. The competition only has intensified in recent years.

The courts that attract the most patent litigation today often "requir[e] parties to submit briefs to seek permission to file summary judgment motions" or simply maintain "a norm shared by the district's judges to grant summary judgment motions rarely." J. Jonas Anderson, *Court Competition for Patent Cases*, 163 U. Pa. L. Rev. 631, 655, 674-75 (2015) ("Anderson 2015"). For example, an accused infringer's summary judgment motion filed outside the Eastern District of Texas is "over twenty percentage points more likely to be granted at least in part than one filed in the Eastern District of Texas." Love & Yoon, *supra*, at 17; *accord* Klerman & Reilly, *supra*, at 253.

Trolls' favored courts also place procedural impediments to motions to dismiss. Klerman & Reilly, *supra*, at 253 & n.48. Motions to dismiss grounded on *Alice Corp. Pty. Ltd.* v. *CLS Bank Int'l*, 134 S. Ct. 2347 (2014), a potential means of quickly terminating litigation involving software patents, are particularly disfavored. *See* Love & Yoon, *supra*, at 30.

Although patentee-selected courts generally can be expected to deny motions that would remove the case from their dockets, they are quick to impose pretrial obligations that substantially burden defendants. *See* Love & Yoon, *supra*, at 21-25. Such courts typically refuse to stay cases pending dispositive motions (such as motions to dismiss) while ordering expensive discovery and proceeding with other resource-intensive phases of the case (such as claim construction). Klerman & Reilly, *supra*, at 263-65, 268-70; Love & Yoon, *supra*, at 21-25. For example, the East Texas judge who handles the most patent cases in the country "orders that document production be complete

within about ten months of filing" in spite of any pending motions to transfer, dismiss, or stay. Love & Yoon, *supra*, at 22; *see also* E.D. Tex. R. CV-26(a). Even in the relatively rare instance that such a court grants a motion to transfer, it tends to wait until "much later in the pre-trial process" than other courts. Love & Yoon, *supra*, at 16. Similarly, favored courts take "an unusually long time to grant summary judgment." *Id.* at 17.

Even when accused infringers challenge the asserted patents in the PTO under the new procedures Congress designed as an "alternative to district court litigation" (*Cuozzo Speed Techs., LLC* v. *Lee*, 136 S. Ct. 2131, 2143 (2016) (citation omitted))—a situation that would typically prompt other courts to stay litigation—patentees' favored courts will require defendants to proceed with burdensome discovery and pretrial proceedings while they simultaneously must litigate in the Office. Love & Yoon, *supra*, at 26.

Coupled with discovery obligations that "are unusually broad in scope," a court thus can impose millions of dollars of expenses on defendants even if the court ultimately agrees that the case should be stayed, transferred, or dismissed outright. Love & Yoon at 22 & n.62. And because patent trolls "have less discoverable information" (for example, due to a lack of products and even employees), these enormous burdens fall on defendants while they spare troll plaintiffs. FTC, *supra*, at 9-10. "[S]eemingly mundane procedural choices, like the relative timing of discovery deadlines, transfer decisions, and claim construction," therefore can have massive effects. Love & Yoon, *supra*, at 5. The *VE Holding* regime has ensured that

plaintiffs can impose immediate burdens on defendants virtually at will and without regard to the merits of their cases.

A defendant faced with these hefty burdens of litigation—even if its case should have been dismissed at the outset—often will elect to settle rather than fight. The FTC found that trolls often obtain settlements at "approximate[ly] the lower bound of early-stage litigation costs of defending a patent infringement suit." *See* FTC, *supra*, at 4, 43. The Commission thus concluded that "discovery costs, and not the technological value of the patent, may set the benchmark for settlement value" of troll suits. *Id.* at 10. "Simply by filing a complaint in" a favorable court, "these plaintiffs can predictably and consistently impose large costs on their opponents and leverage those costs to extract settlements that primarily reflect a percentage of a defendant's expected litigation costs, from virtually any infringer, no matter where they are located in the U.S." Love & Yoon, *supra*, at 34.

The incentive to settle is especially strong given the outsized damages awards patent defendants are subject to in plaintiff-friendly courts. *See* Anderson 2015, *supra*, at 653; Love & Yoon, *supra*, at 18-19 n.52; Yan Leychkis, *Of Fire Ants and Claim Construction: An Empirical Study of the Meteoric Rise of the Eastern District of Texas as a Preeminent Forum for Patent Litigation*, 9 Yale J. L. & Tech. 193, 211-12 (2007) (collecting examples). Today, district courts may, at "their discretion," multiply these damages. *Halo*, 136 S. Ct. at 1933-34. The potential for even larger verdicts now looms over defendants.

Thus, even where the asserted patents are weak, patent trolls can expect to extract significant rents from productive companies by bringing or threatening lawsuits in favorable districts. *See* Acushnet CAFC Br. 10; Anderson 2015, *supra*, at 655-56. Patentees have successfully used these threats to obtain quick settlements: Over 80% of cases in East Texas settle within one year, versus less than two-thirds in other districts. Love & Yoon, *supra*, at 14-15. Indeed, trolls can sue numerous defendants and obtain settlements from each at little cost to themselves. *Id.* at 24.

The result is a significant tax on innovation—the opposite of the goal of the patent system. *See* Executive Office of the President, *supra*, at 6, 9-12. As a direct consequence of this tax and the "waste[] [of] resources" attendant to "increasing litigation costs," forum shopping "decrease[s] innovation" by chilling competitors, who will "systematically over-comply with the scope of the patent holder's exclusive right, consistently expanding the property right beyond what was intended when the patent was granted." Moore, *supra*, at 925-30; *see also* Pet. 19-22 & nn.8-14.

Beyond coercing unjust settlements, forum shopping generates other pernicious consequences. "Forum shopping confounds and complicates litigation by selectively creating pockets of district courts that apply the law in a nonuniform manner," worsening "the problem that patent suits already face of accurate application of the law." Teresa Lii, *Shopping for Reversals: How Accuracy Differs Across Patent Litigation Forums*, 12 Chi.-Kent J. Intell. Prop. 31, 39 (2013). Patentee-selected courts are "more inaccurate at applying patent law than other districts." *Id.* at 45.

For example, over a span of *eighteen years* ending in 2006, no Eastern District of Texas jury found in favor of a defendant. Elizabeth P. Offen-Brown, *Forum Shopping and Venue Transfer in Patent Cases: Marshall's Response to* TS Tech *and* Genetech, 25 Berkeley Tech. L.J. 61, 71 (2010). This court, like others favored by patentees, is "significantly more likely to rule for the patentee" (and vastly more likely to rule for patent trolls) than courts not chosen by patentees. Chien & Risch, *supra*, at 16 (citation omitted). The Eastern District of Texas also has a "high reversal rate on appeal" (indeed, "twenty or more percentage points" higher than "other popular districts"), suggesting that "the district is too friendly to patent plaintiffs" on substantive issues of law—in addition to favoring plaintiffs using the practically unreviewable procedural hurdles discussed above. Love & Yoon, *supra*, at 19.

Generating more accurate results in more cases is reason enough to discourage forum shopping. Further, accuracy aside, the "unpredictability and inconsistency in the application of the law among the district courts" that follows from courts' disparate willingness to grant dispositive motions against patentees is a problem of its own. Moore, *supra*, at 924. "This instability erodes public confidence in the law and its enforcement and creates doubt about the fairness of the system." *Ibid.* In the 16 years since Judge Moore's article was published, numerous outside observers have confirmed that forum shopping has "harmed the reputation of the patent system." Chien & Risch, *supra*, at 3.

No radical reform is needed to alleviate these ill effects of forum shopping. This Court need only return the standard for patent venue to the one Congress has retained, and this Court has enforced, for over a century. "[P]ermissive venue rules" have generated a "race to the bottom" as courts adopt practices that favor patent plaintiffs and thereby "scuttle otherwise effective reforms." Love & Yoon, *supra*, at 5-6, 25-35. Restoring the limited patent venue rule Congress enacted would "cancel the race altogether." *Id.* at 35-36. It therefore "may be the single most effective reform" of the patent system. *Id.* at 35.

CONCLUSION

The Court should reaffirm "that 28 U.S.C. § 1400(b) is the sole and exclusive provision controlling venue in patent infringement actions, and that it is not to be supplemented by the provisions of 28 U.S.C. § 1391(c)" (*Fourco Glass Co.* v. *Transmirra Products Corp.*, 353 U.S. 222, 229 (1957)), and reverse the decision below.

Respectfully submitted.

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RECORD AND BRIEFS

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IN THE

Supreme Court of the United States

TC HEARTLAND, LLC D/B/A HEARTLAND FOOD PRODUCTS GROUP,
Petitioner,

v.

KRAFTS FOODS GROUP BRANDS LLC,
Respondent.

On Writ of Certiorari to
The United States Court of Appeals
For the Federal Circuit

BRIEF OF TDE PETROLEUM DATA SOLUTIONS, INC. *AS AMICUS CURIAE* IN SUPPORT OF RESPONDENT

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INTEREST OF AMICUS CURIAE[1]

Amicus Curiae TDE Petroleum Data Solutions, Inc. (TDE) is an energy sector operating company. TDE provides a computer implemented process that enables drillers to monitor and organize global oil rig operations using sensor data to accurately and in real time determine the state of the oil rig and, if necessary, to control the operations of the oil rig.

Currently, TDE provides its service worldwide. However, significant portions of its activities are in the United States and TDE maintains an office in Sugar Land, Texas.

In order to protect its innovation, TDE has a portfolio of United States and foreign patents and patent applications. In addition to its U.S. Patents and pending applications, TDE has issued patents or pending patent applications in the United Kingdom, France, Germany, and Norway.

In short, TDE has built a valuable and successful business based, in large measure, on its patents and associated intellectual property. Seeking

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[1]Pursuant to Rule 37.2 of the Rules of this Court, Petitioner has consented to the filing of this brief. In accordance with Rule 37.2(a). *Amicus Curiae* provided notice to counsel for the Respondent of its intent to file a brief. Respondent has consented.

This brief was not written in whole or in part by counsel for any party, and no person or entity other than *Amicus Curiae* and its counsel has made a monetary contribution to the preparation and submission of this brief.

to capitalize on TDE's ingenuity, TDE's competitors have attempted to ride on TDE's coattails and violate TDE's intellectual property rights. In order to protect its competitive position in the United States, TDE has previously brought suit against a competitor for patent infringement in the Eastern District of Texas. If necessary in the future, TDE will bring suit for patent infringement against its competitors. Because of its strong interest in effective and readily enforceable intellectual property, TDE has chosen to participate as *amicus curiae* in this case.

The energy sector, and particularly oil and gas exploration and production, are a large share of Texas' economy. Indeed, significant reserves of oil and gas are located in Texas, and particularly the area encompassing the judicial district of the Eastern District of Texas. Because approximately 1/3rd of the 10 millions barrels of oil produced daily in the United States are found in Texas[2], many vendors sell to energy sector companies doing business in Texas. In many cases, these vendors have no regular place of business or physical presence located in Texas. In fact, some of the vendors are located outside the United States and provide goods and services for use in Texas to a distributor or other intermediary. In other words, these non-U.S. entities are likely subject to personal jurisdiction in the U.S. District Courts located in Texas under a stream of commerce theory as applied by the United States Court of Appeals for the Federal Circuit in *Beverly Hills Fan Co. v. Royal*

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[2] Houston Chronicle, October 1, 2015, "Texas Shed 28,300 Oil and Gas Jobs Since December [2014]"

Sovereign Corp., 21 F.3d 1558, 1571 (Fed. Cir. 1994) and derived from this Court's decision in *Int'l Shoe Co. v. Washington*, 326 U.S. 310, 316 (1947).

However, if venue in patent cases is interpreted in the unfounded way proposed by Petitioner, TDE's position as a market leader because of its intellectual property will be even more challenging. This will be particularly true if TDE is required to take legal action to prevent non-U.S. based competitors infringing TDE's United States patents. As such, *Amicus Curiae* TDE writes in support of Respondent.

Beyond its interest in this Court construing the venue provisions of the United States Code such that TDE can effectively enforce its vested patent rights, ***Amicus Curiae*** TDE Petroleum Data Solutions, Inc. has no stake in the parties or in the outcome of the case.

SUMMARY OF THE ARGUMENT

Petitioner's argument that venue for patent infringement matters is determined under 28 U.S.C. § 1400(b)[3] without reference to the definitions of "residence" that are set forth in 28 U.S.C. § 1391(c)(1)-(3) for "all venue purposes" is unfounded because, if construed as proposed by Petitioner, there would be no district in which venue is proper against a non-United States corporation that shipped goods into the United States if it did not also have a "regular and established place of business" in the United States. As such, Petitioner's argument

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[3] Petitioner's Brief, p. i. and p. 19.

cannot be correct because it would effectively immunize a non-United States supplier from suit for patent infringement even when it purposefully availed itself of doing business in the United States by shipping infringing goods to retailers in the United States. It is preposterous to believe that Congress would have enacted legislation so harmful to American patent owners.

Accepting *arguendo* Petitioner's argument that the concentration of patent cases in the United States District Court located in the Eastern District of Texas constitutes "improper forum shopping," Congress has provided appropriate relief to defendants through motions to transfer under 28 U.S.C. § 1404 (transfer for convenience of parties) and 28 U.S.C. § 1406 (transfer of cases initially filed in an improper venue). These motions ameliorate Petitioner's concerns that patent litigation is becoming excessively concentrated in the Eastern District of Texas.

Accepting *arguendo* Petitioner's statutory construction that patent infringement suits can only be brought in the *"state of incorporation"* of the defendant or *"where the defendant has committed acts of infringement and has a regular and established place of business,"* will likely have the unintended consequence of producing a flood of suits against retailers selling infringing goods or services. Phrased differently, if a foreign supplier produces a good or service that infringes a patent, the patent owner will have no option except bringing suit against retailers selling the infringing good or service in the United States in order to establish

"acts of infringement" by a defendant having a "regular and established place of business [in the district]," required under Petitioner's proposed statutory construction. Rather than reducing patent litigation in the Eastern District of Texas, it will merely add additional defendants that have the misfortune of unknowingly selling a good or service that has been supplied to them by the foreign manufacturer. Potentially, this could produce a vastly larger number of patent suits against a multiplicity of retailer-defendants instead of a single targeted lawsuit against a single manufacturer. In turn, the retailers will likely seek indemnification from the foreign manufacturer in a new and separate suit. Rather than reducing litigation, Petitioner's proposed statutory construction will result in piece-meal litigation rather than the more efficient resolution of the dispute in a single lawsuit.

ARGUMENT

I. PETITIONER HEARTLAND'S PROPOSED STATUTORY CONSTRUCTION ELMINATES ANY PROPER VENUE WHEN A FOREIGN CORPORATION SHIPS GOODS TO RETAILERS IN THE UNITED STATES

As discussed, at length, in both Petitioner and Respondent's briefs, 28 U.S.C. § 1400(b) provides:

"Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business." (emphasis added)

Petitioner's argument that venue for patent infringement matters is determined under 28 U.S.C. § 1400(b)[4] without reference to the definitions of "residence" that are set forth in 28 U.S.C. § 1391(c)(1)-(3) for "all venue purposes" is unfounded because, if construed as proposed by Petitioner, there would be no district in which venue is proper against a non-United States corporation that shipped goods into the United States unless:

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[4] *Id.*

(i) the foreign supplier was incorporated in the venue or

(ii) the foreign supplier "committed acts of infringement [in the district]" and also had a "regular and established place of business" in the same judicial district.

Petitioner's argument cannot be correct because it would effectively immunize a non-United States supplier from suit for patent infringement while it purposefully availed itself of doing business in the United States by shipping infringing goods to retailers in the United States. It is preposterous to believe that Congress would have enacted legislation so harmful to American patent owners.

II. PATENT CASES CAN BE TRANSFERRED TO CORRECT "FORUM SHOPPING"

Accepting *arguendo* Petitioner's argument that the concentration of patent cases in the United States District Court located in the Eastern District of Texas constitutes "improper forum shopping,"[5] Congress has already provided appropriate relief to defendants through motions to transfer under 28 U.S.C. § 1404 (transfer for convenience of parties) and 28 U.S.C. § 1406 (transfer of cases initially filed in an improper venue). These motions ameliorate Petitioner's concerns that patent litigation is becoming excessively concentrated in the Eastern District of Texas (or any other district). Examples of

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[5] Petitioner's brief, pp. 14-16

successful motions to transfer, and affirmance by the United States Court of Appeals for the Federal Circuit, are numerous. *See In re TS Tech USA Corporation*, 551 F.3d 1315 (Fed. Cir. 2008), *See also In re Nintendo Co.*, 589 F.3d 1194 (Fed. Cir. 2009), *In re Genetech*, 566 F.3d 1338, 1344 (Fed. Cir. 2009), *In re Hoffmann-La Roche, Inc.*, 587 F.3d 1333 (Fed. Cir. 2009), *In re Zimmer Holdings, Inc.*, 609 F.3d 1378 (Fed. Cir. 2009), *In re Microsoft Corporation*, 630 F.3d 1361 (Fed. Cir. 2010), *In re Acer America Corporation*, 626 F.3d 1252 (Fed. Cir. 2010), and *In re Link_A_Media Devices Corp.*, 662 F.3d 1221 (Fed. Cir. 2011) *(per curiam)*.

As further evidence of the continued ready availability of transfer in appropriate cases, the United States Court of Appeals for the Federal Circuit recently granted a writ of mandamus and transferred a patent infringement suit from the Eastern District of Texas to the Northern District of California. *See In re Google, Inc.*, Case No.: 2017-107 (Fed. Cir. February 23, 2017); *accord Mallard v. U.S. Dist. Court for the S. Dist. of Iowa*, 490 U.S. 296, 308 (1989) ("The traditional use of the writ in aid of appellate jurisdiction both at common law and in the federal courts has been to confine an inferior court to a lawful exercise of its prescribed jurisdiction or to compel it to exercise its authority when it is its duty to do so.")

As such, the appropriate mechanism for cases that are filed in an inconvenient or improper forum is not to totally preclude filings in the forum through a strained statutory interpretation, rather the

appropriate and long standing mechanism is to allow district courts to decide motions to transfer as each case arises.

III. PETITIONER'S STATUTORY CONSTRUCTION WILL PRODUCE A FLOOD OF PATENT INFRINGMENT SUITS AGAINST RETAILERS

Accepting *arguendo* Petitioner's statutory construction that patent infringement suits can only be brought in the *"state of incorporation"* of the defendant or *"where the defendant has committed acts of infringement and has a regular and established place of business,"* will likely have the unintended consequence of producing a flood of suits against retailers selling infringing goods. Phrased differently, if a foreign supplier produces a good that infringes a patent, the patent owner will have no option except bringing numerous suits against retailers selling the infringing good in the United States in order to establish "acts of infringement" by a defendant having a "regular and established place of business [in the district]," required under Petitioner's proposed statutory construction.

Rather than reducing patent litigation in the Eastern District of Texas, it will merely add additional suits against additional defendants that have the misfortune to sell an infringing good that has been supplied to them by the foreign manufacturer. Potentially, this could produce a vastly larger number of patent suits against a multiplicity of retailer-defendants instead of a single targeted lawsuit against a single supplier or

manufacturer. In turn, the retailers will likely seek indemnification from the foreign manufacturer or supplier. Rather than reducing litigation, Petitioner's proposed statutory construction will result in piece-meal litigation rather than the more efficient resolution of the dispute in a single lawsuit.

CONCLUSION

The judgment of the United States Court of Appeals for the Federal Circuit should be affirmed.

Respectfully Submitted,

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RECORD AND BRIEFS

No. 16-341

In the Supreme Court of the United States

TC HEARTLAND LLC, PETITIONER

v.

KRAFT FOOD BRANDS GROUP LLC

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR THE STATES OF TEXAS, ARIZONA, COLORADO, CONNECTICUT, HAWAI'I, ILLINOIS, IOWA, MAINE, MARYLAND, MICHIGAN, NEBRASKA, NORTH CAROLINA, OHIO, SOUTH CAROLINA, VERMONT, VIRGINIA, AND WISCONSIN AS AMICI CURIAE IN SUPPORT OF PETITIONER

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INTEREST OF AMICI CURIAE

Amici are the States of Texas, Arizona, Colorado, Connecticut, Hawai'i, Illinois, Iowa, Maine, Maryland, Michigan, Nebraska, North Carolina, Ohio, South Carolina, Vermont, Virginia, and Wisconsin. Amici have an interest in protecting their citizens from abusive claims of patent infringement, which businesses and residents confirm are a drag on economic growth.[1] Many of these States have taken steps in recent years to address certain aspects of abusive patent suits and demand letters.[2]

[1] *See, e.g.*, Comments Nos. PAEW-0026, PAEW-0027, PAEW-0028, PAEW-0029, PAEW-0031, PAEW-0038, and PAEW-0040 before the U.S. Federal Trade Commission and U.S. Department of Justice Patent Assertion Entities Activities Workshop, https://www.justice.gov/atr/events/public-workshop-patent-assertion-entity-activities (comments from numerous Texas residents on abusive patent claims).

[2] *See, e.g.*, Tex. Bus. & Com. Code §§ 17.951–17.955.

But part of this problematic activity is fueled by the Federal Circuit's departure from this Court's interpretation of the patent venue statute, which has allowed forum shopping by patentholders seeking to influence the outcome of cases with their venue choices. Amici write to highlight the forum shopping enabled by the Federal Circuit's expansion of patent venue and emphasize how the current venue system fosters nuisance litigation and impairs the judicial system's reputation for the neutral administration of law.

SUMMARY OF ARGUMENT

This Court has held that 28 U.S.C. § 1400(b) is the sole and exclusive statute governing venue over corporations in patent cases and is not supplemented by the general venue provisions of 28 U.S.C. § 1391(c). The Federal Circuit erred in departing from that holding based on amendments to the general venue statute that are irrelevant to this Court's reasoning on the issue.

That departure has frequently allowed plaintiffs a nearly unlimited choice of where to hale corporations into federal court on claims of patent infringement. Plaintiffs have largely chosen the Eastern District of Texas, where local practices and rules depart from national norms in ways attractive for incentivizing settlement for less than the cost of litigating the early stages of patent cases. The Federal Circuit's expansion of patent venue has thus allowed rampant forum shopping, which makes abusive claims of patent infringement more potent. This Court's original, binding interpretation of the patent venue statute reduces this harmful forum shopping.

ARGUMENT

I. The Federal Circuit's Interpretation of 28 U.S.C. § 1400(b) Conflicts with this Court's Precedent and Frequently Allows Patent Plaintiffs to Sue Corporations Almost Anywhere in the Country.

Over a century ago, Congress enacted a patent venue statute "to eliminate the 'abuses engendered' by previous venue provisions." *Schnell v. Peter Eckrich & Sons, Inc.*, 365 U.S. 260, 262 (1961) (quoting *Stonite Prods. Co. v. Melvin Lloyd Co.*, 315 U.S. 561, 563 (1942)). Section 48 of the Judiciary Act of 1911 granted jurisdiction over patent cases only in districts that the defendant either inhabited or had a place of business and committed infringing acts in. § 48, 36 Stat. 1087, 1100.

In 1942, this Court held that "Section 48 is the exclusive provision controlling venue in patent infringement proceedings." *Stonite*, 315 U.S. at 563. Section 48, the Court explained, was crafted "to define the exact jurisdiction of the federal courts in actions to enforce patent rights" and "not . . . to dovetail with the general provisions relating to the venue of civil suits." *Id.* at 565-66.

Six years later, in 1948, Congress "placed the venue provisions . . . of old § 48, with word changes and omissions later noted," in 28 U.S.C. § 1400(b). *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222, 226 (1957) (citation omitted). That provision has not been changed since. It still tracks old § 48 of the Judiciary Act of 1911 and provides: "Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular

and established place of business." 28 U.S.C. § 1400(b); *accord* Act of June 25, 1948, 62 Stat. 869, 936.

In 1948, Congress also enacted 28 U.S.C. § 1391, a general provision setting out residency-based rules for venue in civil actions. 62 Stat. at 935. Its subsection (c) addressed venue for corporate defendants: "A corporation may be sued in any judicial district in which it is incorporated or licensed to do business or is doing business, and such judicial district shall be regarded as the residence of such corporation for venue purposes." *Id.*

In 1957, this Court held "that 28 U.S.C. § 1400(b) is the sole and exclusive provision controlling venue in patent infringement actions" and is not "supplemented by the provisions of 28 U.S.C. § 1391(c)." *Fourco*, 353 U.S. at 229. The Court recognized that § 1391(c)'s "for venue purposes" language is "clear and unambiguous and that its terms include all actions—including patent infringement actions." *Id.* at 228. But the Court rejected that point as controlling. It reasoned that the "question is not whether § 1391(c) is clear and general, but, rather, it is, pointedly, whether § 1391(c) supplements § 1400(b), or, in other words, whether the latter is complete, independent and alone controlling in its sphere as was held in *Stonite*." *Id.*

The Court held that § 1400(b) alone controls patent venue because it is substantively identical to the patent venue statute held to be exclusive in *Stonite* and because general statutory provisions do not govern a matter specifically dealt with elsewhere in a statute. *Id.* The Court thus held that a defendant's residency under § 1400(b), "in respect of corporations, mean[s] the state of incorporation only" and not the broader § 1391(c) meaning that embraced any district "where it is doing business." *Id.* at 224, 226 (quotation marks omitted).

In 1990, the Federal Circuit nevertheless departed from this Court's established precedent by holding that § 1391(c)'s broader definition of corporate residency applies to the patent venue statute. *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1580 (Fed. Cir. 1990). It justified that departure from this Court's precedent because 1988 amendments rephrased § 1391(c) from defining residence "for venue purposes" to defining residence "[f]or purposes of venue under this chapter." Judicial Improvements and Access to Justice Act, Pub. L. No. 100-702, tit. X, § 1013(a), 102 Stat. 4642, 4669 (1988). Nothing indicates that this ministerial change was meant to affect patent venue. *See* H.R. Rep. No. 100-889, at 70 (1988), *reprinted in* 1988 U.S.C.C.A.N. 5982, 6031, 1988 WL 169934 (no mention of patent venue or *Fourco*); *cf. Radzanower v. Touche Ross & Co.*, 426 U.S. 148, 153 (1976) (holding in a venue case: "It is a basic principle of statutory construction that a statute dealing with a narrow, precise, and specific subject is not submerged by a later enacted statute covering a more generalized spectrum.").

The Federal Circuit erred in departing from this Court's holding in *Fourco*. The Federal Circuit drew a distinction between § 1391(c)'s scope language at the time of *Fourco* and its "clear language" after the 1988 amendments. *VE Holding*, 917 F.2d at 1578. But no real distinction exists. *Fourco* itself recognized § 1391(c)'s language as "clear" and "inclusive." *Fourco*, 353 U.S. at 228. *Fourco* held, however, that this scope language does not overcome other interpretive principles. The minor phrasing change of 1988 does not affect this Court's reasoning, so that change provides no basis for distinguishing this Court's holding. *Cf. Whitman v. Am. Trucking Ass'n, Inc.*, 531 U.S. 457, 468 (2001) (Con-

gress "does not, one might say, hide elephants in mouseholes"). The Federal Circuit should have adhered to this Court's holding that "the residence of a corporation for purposes of § 1400(b) is its place of incorporation." *Brunette Mach. Works, Ltd. v. Kockum Indus., Inc.*, 406 U.S. 706, 707 n.2 (1972) (citing *Fourco*, 353 U.S. 222).

The Federal Circuit's use of the general venue statute's broader definition frequently allows corporations to be sued for patent infringement anywhere in the Nation. The general statute's definition allows venue in any district in which a corporate defendant is "subject to the court's personal jurisdiction." 28 U.S.C. § 1391(c)(2). And the Federal Circuit holds that specific personal jurisdiction over a corporate defendant exists in a district, even with respect to discrete items shipped to other districts, if the corporation shipped the same type of allegedly infringing item into the forum district through an established distribution channel. *See Acorda Therapeutics Inc. v. Mylan Pharms., Inc.*, 817 F.3d 755, 763 (Fed. Cir. 2016); *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558, 1560, 1565-66 (Fed. Cir. 1994). Given today's norm of national distribution networks and Internet ordering, the Federal Circuit's case law means that plaintiffs can often bring patent lawsuits in any district in the country.

II. The Eastern District of Texas Has Become Patent Plaintiffs' Preferred Venue Due to Local Practices and the Forum Shopping Allowed by the Federal Circuit's Statutory Interpretation.

The Federal Circuit's permissive approach to patent venue has allowed rampant forum shopping. The federal Judiciary is divided into 94 judicial districts, but a quarter or more of patent cases filed in recent years have been brought in just one district: the Eastern District of Texas.[3] Indeed, a single district judge in Marshall, Texas (population 23,523)[4] had a remarkable 941, 982, and 1,686 new patent cases assigned to him in 2013, 2014, and 2015 respectively—the most of any district judge and more than double the second-ranking district judge each year.[5]

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[3] Of all federal patent cases, the percentage filed in the Eastern District of Texas was 25% for 2013, 28% for 2014, 44% for 2015, and 35% for 2016 (first three quarters). *See* Brian C. Howard, *2016 Third Quarter Litigation Trends* at fig. 5 (Oct. 11, 2016), lexmachina.com/2016-third-quarter-litigation-trends/; Brian C. Howard & Jason Maples, *Lex Machina: Patent Litigation Year in Review 2015* at i (2016), http://pages.lexmachina.com/rs/098-SHZ-498/images/2015%20Patent%20Litigation%20Year%20in%20Review.pdf; Brian C. Howard, *Lex Machina: 2014 Patent Litigation Year in Review* at 1, 5 (2015), http://pages.lexmachina.com/rs/lexmachina/images/2014%20Patent%20Litigation%20Report.pdf; Owen Byrd & Brian Howard, *Lex Machina: 2013 Patent Litigation Year in Review* at 1, 2 (2014), http://pages.lexmachina.com/rs/lexmachina/images/LexMachina-2013%20Patent%20Litigation%20Year%20in%20Review.pdf.

[4] U.S. Census Bureau, American FactFinder: Marshall City, Texas, https://factfinder.census.gov/bkmk/cf/1.0/en/place/Marshall%20city,%20Texas/population/decennial_cnt (2010).

[5] Howard & Maples, *Lex Machina: Patent Litigation Year in Review 2015*, *supra*, at ii; Howard, *Lex Machina: 2014 Patent Lit-*

Marshall is so popular for patent suits that a hotel there got a PACER subscription and offered this electronic access to federal court dockets to help sell rooms to lawyers.[6] A technology company that finds itself sued frequently in Marshall has seen fit—in an apparent effort to bolster its reputation in town—to sponsor nearly every major festival plus an ice-skating rink in front of the Marshall courthouse.[7] Another company facing a patent trial in Marshall bought the grand champion steer in a local livestock auction and took out an advertisement in the town paper trumpeting the cattle purchase, in another apparent effort to improve the company's local standing.[8]

This remarkable situation exists because the Federal Circuit's departure from this Court's precedent gives plaintiffs "so many potential venues for bringing suit" and thus "increases the ability of parties to forum shop."[9] Several factors have made the Eastern District of Texas the top forum for patent plaintiffs.

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igation Year in Review, *supra*, at 15; Byrd & Howard, *Lex Machina: 2013 Patent Litigation Year in Review*, *supra*, at i.

[6] Daniel Klerman & Greg Reilly, *Forum Selling*, 89 S. Cal. L. Rev. 241, 273 (2016).

[7] Bruce Berman, *For Samsung Charity Begins at "Home," Marshall, Texas* (Feb. 25, 2015), https://ipcloseup.com/2015/02/25/for-samsung-charity-begins-at-home-marshall-texas/; Zusha Ellison, *IP Trial Strategy: Buying Tivo's Bull*, The Recorder, June 26, 2009, http://www.dailyreportonline.com/id=1202431771710/IP-Trial-Strategy-Buying-Tivos-Bull?slreturn=20170010170254.

[8] Ellison, *supra*.

[9] Kimberly A. Moore, *Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation?*, 79 N.C. L. Rev. 889, 892 (2001).

Most notably, in the Eastern District of Texas, "patent plaintiffs will find that local rules and procedural orders tilt in their favor with respect to the pace of litigation, the scope of discovery, the availability of summary judgment, the availability of stays pending reexamination, as well as the joinder and consolidation of tenuously related defendants."[10] For example:

- The district is known for its hostility to summary judgment. Patent cases in the Eastern District of Texas are almost three times more likely to reach trial than the national average for patent cases.[11] That is partly because judges there are much less likely to enter summary judgment for an accused infringer than are judges outside the district.[12] In addition, the court "takes an unusually long time to grant summary judgment" when it is granted.[13]

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[10] Matthew Sag, *IP Litigation in U.S. District Courts: 1994-2014*, 101 Iowa L. Rev. 1065, 1099 (2016).

[11] Mark A. Lemley, *Where to File Your Patent Case*, 38 A.I.P.L.A. Q.J. 401, 411, 413 & tbl. 4 (2010) (8.0% in Eastern District of Texas versus 2.8% average for all federal judicial districts with 25 or more outcomes).

[12] Brian J. Love & James Yoon, *Predictably Expensive: A Critical Look at Patent Litigation in the Eastern District of Texas*, 20 Stan. Tech. L. Rev. 1, 17 (2017); *see also* Arthur Gollwitzer III, *Local Patent Rules—Certainty and Efficiency or a Crazy Quilt of Substantive Law?*, Engage, March 2012, at 95 ("some courts have applied the Supreme Court's recent *Twombly* and *Iqbal* decisions governing minimum pleading and Rule 12(b)(6) leniently in patent cases because those courts have local rules which require early identification of infringement and invalidity contentions").

[13] Love & Yoon, *supra*, at 17.

- A preference for trial has manifested itself not only in unwritten norms but in patent-specific "screening procedures" that require parties to file briefs seeking advance permission to file a motion for summary judgment—notwithstanding Federal Rule of Civil Procedure 56(a)'s explicit direction that a party "may move" for that relief.[14]

- Patent rules in the Eastern District of Texas require broader document production, under more stringent timelines, than in most districts.[15] As a result, "parties sued for infringement in the Eastern District begin to incur discovery costs—the single largest expense in patent litigation—faster than similarly situated defendants litigating elsewhere in the country."[16]

- Eastern District of Texas judges take longer than their colleagues elsewhere to rule on a motion for discretionary venue transfer.[17] The typical timing means that defendants sued there will, before any eventual transfer for lacking a real connection to the forum, have fully completed discovery under the district's local rules for patent cases.[18]

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[14] *See* Hon. Leonard Davis, Standing Order Regarding Letter Briefs, Motions *in Limine*, Exhibits, Deposition Designations, and Witness Lists at 1 (Apr. 23, 2014).

[15] Love & Yoon, *supra*, at 22-25; Sag, *supra*, at 1099-1100.

[16] Love & Yoon, *supra*, at 22.

[17] *Id.* at 16, 22.

[18] *Id.* at 22.

- In 2011, to curb excesses in patent litigation, Congress expanded administrative procedures for challenging patents.[19] Defendants regularly move to stay litigation pending such agency proceedings, thereby avoiding the cost of discovery on weak patent claims. But the Eastern District of Texas has one of the lowest reported grant rates for such stays, ensuring that defendants are more likely to accrue litigation costs early in patent cases.[20]

- Plaintiffs have good reason to prefer that their initial choice of forum is the final forum.[21] And discretionary venue transfers in patent cases are granted less often in the Eastern District of Texas than the national average.[22] Notably, the Federal Circuit has taken the extraordinary step of ordering transfer out of the Eastern District of Texas four times since

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[19] Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011); *see Protecting Small Businesses and Promoting Innovation by Limiting Patent Troll Abuse: Hearing on S. 23 Before the U.S. Senate Judiciary Committee*, 113th Cong. 186-213, 193 (2013) (testimony of Q. Todd Dickinson, Executive Director, American Intellectual Property Law Association).

[20] Love & Yoon, *supra*, at 27; *see also id.* at 33-34 ("while both Congress and the Supreme Court have modified patent law and procedure in ways that tend to benefit accused infringers, the manner in which cases are conducted in the Eastern District of Texas has dulled the effects of these modifications").

[21] *See* Kimberly A. Moore, *Judges, Juries, and Patent Cases—An Empirical Peek Inside the Black Box*, 99 Mich. L. Rev. 365, 368 (2000) (finding that patentholders won 68% of jury trials when they were plaintiffs but only 38% when they were defendants in declaratory judgment actions).

[22] Love & Yoon, *supra*, at 16-17; J. Jonas Anderson, *Court Competition for Patent Cases*, 163 U. Pa. L. Rev. 631, 675 (2015).

2014—something that has occurred just once in the same period with respect to other districts.[23]

Moreover, to the extent that such case-administration practices may vary judge-to-judge, the Eastern District of Texas has a "unique judge assignment system for patent cases" that results in a "predictable formula litigants can use to select their preferred jurist."[24] The accumulated effect of these local rules and practices incentivizes the forum shopping allowed by the Federal Circuit's permissive venue interpretation.[25]

On top of those differences in case administration, juries in the Eastern District of Texas find for patent plaintiffs more frequently than the national norm.[26] When that happens, patent plaintiffs enjoy not only the distinct possibility of massive damages—the district's average patent damages award is $38 million above the average outside that district—but also the assurance of a median patent damage award close to the national median: in other words, a large upside with a minimal

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[23] Love & Yoon, *supra*, at 16.

[24] Anderson, *supra*, at 672; *see, e.g.*, *id.* at 673 ("[S]ince 1999, Data Treasury Corporation, Orion IP, and IAP Intermodal have collectively filed thirty-seven patent suits in the district. Each company has filed every one of their lawsuits before a single judge: Data Treasury's cases have all been heard by Judge Folsom, Orion's by Judge Davis, and IAP's by Judge Ward.").

[25] Love & Yoon, *supra*, at 1.

[26] *Id.* at 18.

downside.[27] Unsurprisingly, then, "Eastern Texas patent cases tend to settle early (and at high rates)."[28]

All of this ensures that "forum shopping is alive and well in patent law."[29] The most prolific forum shoppers in patent cases are companies that do not produce patented technologies but rather were set up to secure patent licenses.[30] Royalties paid on those licenses are often less than the "lower bound of early-stage litigation costs of defending a patent infringement suit"[31]—a fact consistent with nuisance litigation and earning those companies the label "patent troll."[32]

This phenomenon is extremely troubling. It perpetuates economic waste by extracting licensing fees simply to avoid the high cost of litigation, regardless of the merits of a claim.[33] And this business model imposes the

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[27] *Id.* at 18-19 n.52 & tbl. 7 ("East Texas juries are responsible for six of the thirteen largest jury verdicts awarded in patent cases since 1995").

[28] *Id.* at 13.

[29] Lemley, *supra*, at 402.

[30] *See* Love & Yoon, *supra*, at 8-9 & tbl. 2 (reporting that over 90% of Eastern District of Texas patent cases were brought by patent assertion entities).

[31] Federal Trade Commission, *Patent Assertion Entity Activity: An FTC Study* at 4 (Oct. 2016), https://www.ftc.gov/system/files/documents/reports/patent-assertion-entity-activity-ftc-study/p131203_patent_assertion_entity_activity_an_ftc_study_0.pdf (discussing business model).

[32] *Id.* at 17; Colleen V. Chien, *Of Trolls, Davids, Goliaths, and Kings: Narratives and Evidence in the Litigation of High-Tech Patents*, 87 N.C. L. Rev. 1571, 1574 (2009).

[33] *See* Eric Rogers & Young Jeon, *Inhibiting Patent Trolling: A New Approach for Applying Rule 11*, 12 Nw. J. Tech. & Intell. Prop. 291, 294 (2014); Benjamin J. Bradford & Sandra J. Durkin, *A*

most devastating costs on those who can least afford it: small businesses.[34] Upon receiving letters demanding license payments—letters easy to send in mass[35]—entrepreneurs must decide whether to resolve the demand for less than the cost of litigating under plaintiff-chosen local procedures or whether to pay to litigate in a forum often far from their place of business. In short, the patent-troll business model encouraged by permissive venue is vexing to economic growth in the States.

Even apart from economic waste, the forum shopping incentivized by the Federal Circuit's expansion of patent venue is problematic for clogging the courts in certain judicial districts.[36] And it has the pernicious effect of reducing confidence in the fairness and neutrality of the Nation's justice system. For example, despite the Eastern District of Texas being the most popular venue for patent cases, less than 8% of its patent cases were against defendants with a corporate office in the district (much less accused activity there) and less than 2% of its patent cases assert patents to technology in-

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Proposal for Mandatory Patent Reexaminations, 52 IDEA: The Intell. Prop. L. Rev. 135, 137 (2012).

[34] *See* Executive Office of the President, *Patent Assertion and U.S. Innovation* at 7 (June 2013) (describing a generalized demand letter sent to hundreds of small businesses regarding copier machines with network-integrated scanner functionality).

[35] *See id.* at 6 (finding "an increasingly large number of suits threatened" against "an unusually large set of potential defendants," with threatened suits estimated to range from 60,000 to over 100,000 in 2012).

[36] *See* Federal Judicial Center, *Patent Pilot Program: Five-Year Report* at 38 (2016), http://go.usa.gov/x97BU (noting that patent cases were 49% of the Eastern District of Texas's civil caseload in 2015).

vented in the district.[37] When a single district court hears so many cases, not because of convenience or connection to the dispute, but because it is chosen by litigants on one side, the perception of a neutral justice system is undermined. That harm can be reduced by correcting the Federal Circuit's departure from this Court's original, binding interpretation of the patent venue statute.

CONCLUSION

The Court should reverse the decision of the court of appeals.

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[37] Love & Yoon, *supra*, at 10.

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FEBRUARY 2017

AND BRIEFS

No. 16-341

IN THE

Supreme Court of the United States

TC HEARTLAND LLC,

Petitioner,

v.

KRAFT FOODS GROUP BRANDS LLC,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF *AMICI CURIAE* 33 PRACTICING-ENTITY PATENT OWNERS IN SUPPORT OF RESPONDENT

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468 U.S. 63 (1984) 8

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28 U.S.C. § 1400(b) 2, 4, 7

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Adam Mossoff, *Weighing the Patent System, The Washington Times* (2016) 10

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Gene Quinn, *Hatch Says Patent Venue Reform Likely Regardless of SCOTUS Decision in TC Heartland* 10

Gregory H. Lantier, Wei Wang, Derek Gosma, Mary (Mindy) V. Sooter, WilmerHale, *WilmerHale Eastern District of Texas Newsletter: September 2016* 7

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Tr. of Hearing Before the Senate Subcommittee on Courts, Intellectual Property, and the Internet, September 13, 2016 10

INTEREST OF *AMICI CURIAE*

Each *amicus* (signatory to this brief) is a practicing-entity patent owner who has filed a patent infringement action in the district in which that patent owner principally operates its business. Though the *amici* have no stake in the parties to this litigation, they have an interest in the outcome of this case to the extent that it may affect venue in their pending litigation. Specifically, the *amici* have an interest that any change in patent venue law be fair and balanced, including the protection of the interests of practicing-entity patent owners like themselves.[1]

SUMMARY OF ARGUMENT

For the last 26 years, the settled law of patent venue has been that a patent owner can file an action for patent infringement in any district where personal jurisdiction over a corporate defendant will lie. The concentration of a high percentage of patent cases in a few judicial districts has led to numerous calls for patent venue reform, including some even advocating to reinstate the unduly restrictive pre-1988 venue requirements.

These demands for patent venue reform, however, overlook the most critical component of the patent system: the inventor. In particular, the proposed reforms ignore the unique interests of the inventor or practicing-entity

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1. In accordance with Supreme Court Rule 37.6, the *amici curiae* certify that no counsel for a party authored this brief in whole or in part and that no person or entity, other than *amici* and their counsel, has made a monetary contribution to the preparation or submission of this brief. Both Petitioner and Respondent have provided consent, via e-mail, to the filing of this brief.

patent owner who desires to bring an infringement action in the district in which that inventor or patent owner principally operates its business and where infringement has occurred. Reinstating the strict pre-1988 standards for patent venue would unfairly burden innocent practicing-entity patent owners, particularly small businesses and individual inventors who want to stop the infringing activities of a corporate defendant but have to file suit in a distant judicial district solely because that company is headquartered there. Accordingly, patent owners should be permitted to file infringement actions where the defendant has committed acts of patent infringement in the practicing-entity patent owner's home district.

The existing law of patent venue, which has been in place for the past 26 years, is fair and balanced. Safeguards already exist to protect defendants from being unfairly pulled into a burdensome judicial district. For example, current venue law permits actions to be transferred to a different judicial district, including the district where that defendant resides, if the original forum is truly unfair. Flexible venue requirements like those that are currently in place, coupled with the provision for transfer as a safeguard, is a more equitable approach to patent venue than reinstating the pre-1988 requirements.

Since the Question Presented in this case concerns alleged ambiguity regarding the relationship between 28 U.S.C. §§ 1391(a) and (c) and 1400(b), the resolution of that ambiguity should be left to Congress. Congress already appears to have patent venue reform in its sights, such as the proposed VENUE Act introduced last session. Regardless of the outcome of this case, Congress is likely to act on patent venue reform soon, possibly this year.

Accordingly, the *amici* do not believe the existing law on venue for patent infringement requires modification. But, in any event, any change in existing law should take into account the interests of inventors and practicing-entity patent owners who are operating in the judicial district where infringement has occurred.

ARGUMENT

I. PRACTICING-ENTITY PLAINTIFFS HAVE A UNIQUE INTEREST IN FILING SUIT IN A JUDICIAL DISTRICT IN WHICH THEY PRACTICE THE INVENTION AND INFRINGEMENT HAS OCCURRED

For the past 26 years, patent owners have been able to file an action for patent infringement in "any district where there would be personal jurisdiction over the corporate defendant at the time the action is commenced." *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1583 (Fed. Cir. 1990). Over the past several years, there has been a rising crescendo of alarm regarding the large number of patent infringement actions concentrated in just a few judicial districts, particularly the District of Delaware, the Eastern District of Texas, the Eastern District of Virginia, and the Western District of Wisconsin.[2]

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2. *See, e.g.*, *See* Dennis Crouch, *Law Professors Call for Patent Venue Reform*, PATENTLYO (2016), http://patentlyo.com/patent/2016/07/professors-patent-reform.html. *See also*, PwC, *2016 Patent Litigation Study: Are We at an Inflection Point?*, https://www.pwc.com/us/en/forensic-services/publications/assets/2016-pwc-patent-litigation-study.pdf, at 15.

These concerns have led many, including some of the other *amici* in this case, to call for drastic changes in patent venue law that would greatly limit where patentees can file infringement actions. Some have even urged this Court to take a giant leap backwards and reinstate the rule in *Fourco Glass* (the pre-1988 law), under which a defendant can be sued for patent infringement only (1) "in the judicial district where the defendant resides [is incorporated]" or (2) "where the defendant has committed acts of infringement and has a regular and established place of business." 28 U.S.C. § 1400(b); *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222, 229 (1957). Those calls for revamping patent venue law are misguided.

In this rush to restrict patent venue, one important point often gets overlooked: Practicing-entity plaintiffs have a unique interest in filing suit in a judicial district in which they practice the invention *and* infringement has occurred. To illustrate, each signatory to this brief is a practicing-entity patent owner who has brought a patent infringement action in the district in which that patent owner principally operates its business. The 33 signatories and their associated infringement actions are listed in Appendix A. Any change in patent venue law should also take into account these uniquely situated practicing-entity patent owners. Indeed, one study indicates that practicing-entity patent owners bring actions in their home district in 44% of cases. *See* Colleen V. Chien and Michael Risch, Recalibrating Patent Venue, Santa Clara Univ. Legal Studies Research Paper No. 10-1, https://papers.ssrn.com/sol3/papers2.cfm?abstract_id=2834130, at 31.[3] The issues raised herein are, thus, not insignificant.

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3. Based on a random sampling of data from 1000 actual federal court filings in 2015. *See* pp. 25-26 for a description of the

II. REINSTATING PRE-1988 PATENT VENUE LAW WOULD GREATLY PREJUDICE THE *AMICI* AND OTHER PRACTICING-ENTITY PATENT OWNERS

Even if the Court determines that judicial districts with *de minimis* connection to either party are improper forums, legitimate practicing-entity patent owners should be able to bring an action in the district where they normally operate. Many of the *amici* are inventors and small businesses that understandably bring suit in their home district where infringement is occurring. It is unfair to require these patent owners to file their actions in a distant venue, or in multiple venues in the case of multiple defendants.

Where a defendant has committed acts of infringement in the district in which a practicing-entity patent owner principally operates its business (*i.e.*, where personal jurisdiction over the defendant would lie), the patent owner should have the option of bringing an action for infringement in that district. The existing venue laws, which have been in effect for the past 26 years, have appropriately granted patent owners that option.

Reinstating pre-1988 venue law (the rule in *Fourco Glass*) would severely limit the ability of a practicing-entity patent owner to assert its patents in the district where it primarily operates its business. It would also lead to a spate of transfer motions by patent defendants seeking

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study methodology, which employed Lex Machina, a service that sources case data from PACER. *See also* https://lexmachina.com/what-we-do/how-it-works/.

to transfer existing cases to more beneficial forums for defendants. This would increase the burden and expense on patent owners for existing infringement actions. The study cited above indicates that, based a large random sampling of cases from 2015, the pre-1988 patent venue law would have resulted in 52% of practicing entities being uprooted from the districts in which they originally filed. Chien and Risch, *op. cit.*, at 34. This provides a glimpse into just how impactful a return to pre-1988 patent venue law would be.

III. CURRENT PATENT VENUE LAW IS ALREADY FAIR AND BALANCED AND COULD BE IMPROVED THROUGH ADJUSTMENTS TO TRANSFER LAW

The existing patent venue law is already fair and balanced despite the concentration of patent cases in certain popular forums. But for all the cases filed in those districts, the majority of defendants have willfully chosen to do business in that district. And, for those defendants who truly do not have a tie to the chosen forum, safeguards already exist, including the ability of a defendant, under 28 U.S.C. § 1404(a), to move for a change of venue (transfer of the case to a different district court) under appropriate circumstances. *See* 28 U.S.C. § 1404(a) ("For the convenience of parties and witnesses, in the interest of justice, a district court may transfer any civil action to any other district or division where it might have been brought or to any district or division to which all parties have consented"). Courts often transfer patent infringement actions under § 1404(a). For example, one 2016 study revealed that 57% of transfer motions in the Eastern District of Texas had been granted.

Gregory H. Lantier, Wei Wang, Derek Gosma, Mary (Mindy) V. Sooter, WilmerHale, *WilmerHale Eastern District of Texas Newsletter: September 2016*, https://www.wilmerhale.com/pages/publicationsandnewsdetail.aspx?NewsPubId=17179882731.

Some complain that § 1404(a) has not operated effectively because certain courts have, at times, shown hostility to motions to transfer. *See, e.g.*, Chien and Risch, *op. cit.*, at 18-19 ("For a number of years, . . . the Eastern District [of Texas] had a reputation for being unusually hostile to motions to transfer"). Rather than "throwing out the baby with the bath water" by reinstating pre-1988 patent venue law, as Petitioner and its *amici* urge, the current venue standard could be improved through appropriate legislative action. For example, one proposal would increase the likelihood of transfers by mandating that full discovery be stayed until a district court has ruled on a transfer motion. Chien and Risch, *op. cit.*, at 24. This would alleviate the concern that courts are reluctant to entertain transfer motions.

IV. IF PATENT VENUE LAW IS TO BE CHANGED, IT SHOULD CONSIDER THE INTERESTS OF PRACTICING-ENTITY PATENT OWNERS

The Question Presented in this case concerns uncertainty regarding the interplay between 28 U.S.C. §§ 1391(a) and (c) and 1400(b). Correcting such an alleged statutory ambiguity is properly within the purview of Congress. *See Lewis v. City of Chicago*, 560 U.S. 205, 215, 217 (2010) ("It is not for us to rewrite the statute so that it covers only what we think is necessary to achieve what we think Congress really intended . . . If [an] effect

was unintended, it is a problem for Congress, not one that federal courts can fix."); *United States v. Yermian*, 468 U.S. 63, 73 n.13 (1984) ("[T]his Court should not rewrite the statute in a way that Congress did not intend."); *Dodd v. United States*, 545 U.S. 353, 359 (2005) ("Although we recognize the potential for harsh results in some cases, we are not free to rewrite the statute that Congress has enacted."); *United States v. Rodgers*, 466 U.S. 475, 484 (1984) ("Resolution of the pros and cons of whether a statute should sweep broadly or narrowly is for Congress."); *Federal Maritime Com. v. Seatrain Lines, Inc.*, 411 U.S. 726, 745 (1973) ("We are not ready to meet that need by rewriting the statute and legislative history ourselves.").

There are already efforts underway in Congress to address the calls for patent venue reform. One such effort is S. 2733, the "Venue Equity and Non-Uniformity Elimination Act of 2016" ("VENUE Act"). Under this proposal, a patent infringement action could be brought only in the following judicial districts:

- the defendant has its principal place of business or is incorporated;
- the defendant has committed an act of infringement of a patent in suit and has a regular and established physical facility that gives rise to the act of infringement;
- the defendant has agreed or consented to be sued;
- an inventor named on the patent conducted research or development that led to the application for the patent in suit; or

- a party has a regular and established physical facility and has managed significant research and development for the invention claimed in the patent, has manufactured a tangible product alleged to embody that invention, or has implemented a manufacturing process for a tangible good in which the process is alleged to embody the invention.

S. 2733, https://www.congress.gov/114/bills/s2733/BILLS-114s2733is.pdf.

The VENUE Act reflects an attempt to balance the interests of defendants *as well as* patent owners. The VENUE Act is but one example of a balanced approach to reform, and the *amici* do not necessarily endorse any one proposal over another. The Act was cited merely as an example of a potential legislative solution to the concerns regarding forum shopping.

The legislative process can accommodate the interests of justice for all stakeholders. One commentator put it this way:

> Valid reform is balanced and fair, improving a legal system by correcting abuses by all the relevant stakeholders who strategically exploit the legal rules. It is unhealthy for the patent system and for innovation to myopically focus only on abuses by some patent owners without addressing, let alone even acknowledging, the exact same abuses by users or infringers of patented innovation.

Adam Mossoff, *Weighing the Patent System, The Washington Times* (2016), http://www.washingtontimes.com/news/2016/mar/24/adam-mossoff-weighing-the-patent-system/.

Senator Orrin Hatch (R-UT) recently predicted that Congress will tackle patent venue reform this year regardless of what the Court decides in this case. Gene Quinn, *Hatch Says Patent Venue Reform Likely Regardless of SCOTUS Decision in TC Heartland*, http://www.ipwatchdog.com/2017/02/16/hatch-venue-reform-likely-scotus-tc-heartland/id=78495/. Hatch, as Chairman of the Senate Republican High-Tech Task Force, is in a good position to make such a prediction. *Id.* Therefore, the Court should preserve the *status quo* regarding the current venue statute and permit Congress to address patent venue.

Moreover, the Chairman of the Senate Subcommittee on Courts, Intellectual Property, and the Internet, Darrell E. Issa, recently acknowledged the role of Congress in addressing patent venue reform, stating, "I obviously have a very strong personal interest because if this case cannot be resolved fully—or even if it is—it could affect whether or not legislation goes forward here. And from my understanding, the Fed circuit pretty much said in the three-judge panel: We will let Congress handle it." Tr. of Hearing Before the Senate Subcommittee on Courts, Intellectual Property, and the Internet, September 13, 2016, https://judiciary.house.gov/wp-content/uploads/2016/09/114-90_22119.pdf, at 23. The *amici* agree that venue reform should wait until Congress can appropriately legislate the issue.

CONCLUSION

For the foregoing reasons, the *amici* respectfully request that the Court preserve the *status quo* applicable to the current patent venue statute by affirming the decision below and leaving patent venue reform efforts to Congress.

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APPENDIX

APPENDIX A — LIST OF SIGNATORIES AND THEIR ASSOCIATED CASES

Aamsco Lighting Inc.
District of South Carolina

2:16-cv-01809
Aamsco Lighting Inc v. Bulbrite Industries Inc

Automated Tracking Solutions, LLC
Eastern District of Virginia

1:12-cv-00052
Automated Tracking Solutions, LLC v.
SimplyRFiD Inc.

1:12-cv-00053
Automated Tracking Solutions, LLC v.
TeleTracking Technologies, Inc. et al

1:12-cv-01304
Automated Tracking Solutions, LLC v.
TeleTracking Technologies, Inc. et al

1:12-cv-01313
Automated Tracking Solutions, LLC v.
Awarepoint Corporation et al

1:14-cv-01758
Automated Tracking Solutions, LLC v.
Bon Secours Health System, Inc. et al

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1:14-cv-01759
Automated Tracking Solutions, LLC v.
EKAHAU, INC.

2:11-cv-00424
Automated Tracking Solutions, LLC v.
Awarepoint Corporation et al

2:12-cv-00038
Automated Tracking Solutions, Inc. v.
Impinj, Inc.

3:15-cv-00142
Automated Tracking Solutions, LLC v.
ValidFill, LLC et al

Avionics Support Group, Inc.
Southern District of Florida

1:16-cv-25310
Avionics Support Group, Inc. v. Navaero, Inc. et al

Blue Gentian, LLC
Southern District of Florida

9:12-cv-81169
Blue Gentian, LLC v. Telebrands Corporation

9:12-cv-81170
Blue Gentian, LLC v. Tristar Products, Inc.

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9:12-cv-81171
Blue Gentian, LLC v. MAGIXHOSE

9:13-cv-80853
Blue Gentian, LLC et al v.
New Product Solutions, Inc. et al

Bragel International, Inc.
Central District of California

2:15-cv-08364
-R-FFM Bragel International, Inc. v.
Charlotte Russe, Inc.

8:15-cv-01756
Bragel International, Inc. v. Styles for Less, Inc.

Cat Claws Inc
Eastern District of Arkansas

4:16-cv-00733
Cat Claws Inc v. Big Lots Stores Inc et al

Cocona, Inc.
District of Colorado

1:16-cv-02703
Cocona, Inc. v. Columbia Sportswear Company et al

Appendix A

Dexas International LTD
Northern District of Texas

3:17-cv-00147
Dexas International LTD v. Hitt Enterprises, Inc.

GAE GROUP, LLC
District of New Jersey

2:16-cv-09431
GAE GROUP, LLC et al v.
CARGO EQUIPMENT CORPORATION et al

Getagadget, LLC
Western District of Texas

1:16-cv-01240
Getagadget, LLC v. Porter World Trade, Inc.

Golden Rule Fasteners, Inc.
Middle District of Alabama

2:16-cv-01006
Golden Rule Fasteners, Inc. v.
Aztec Washer Company, Inc.

Gutterglove, Inc.
Eastern District of California

2:16-cv-01255
Gutterglove, Inc. v. Valor Gutter Guard et al

Appendix A

2:16-cv-02408
Gutterglove, Inc. v. Valor Gutter Guard et al

Ipowerup, Inc.
Central District of California

2:17-cv-00482
Ipowerup, Inc. v. Snow Lizard Products, LLC

J&H Web Technologies
Southern District of Texas

4:17-cv-00119
J&H Web Technologies LLC v.
Vade Retro Technology Inc.

Kolcraft Enterprises, Inc.
Northern District of Illinois

1:09-cv-03339
Kolcraft Enterprises, Inc. v. Chicco USA, Inc. et al

1:13-cv-04863
Kolcraft Enterprises, Inc. v. Artsana USA, Inc. et al

1:15-cv-07950
Kolcraft Enterprises, Inc. v.
Graco Children's Products Inc.

1:15-cv-07954
Kolcraft Enterprises, Inc. v.
Thorley Industries LLC d/b/a 4moms

Appendix A

Let's Go Aero, Inc.
District of Colorado

1:16-cv-00410
Let's Go Aero, Inc. v.
U-Haul International, Inc. et al

Liberty Pumps, Inc.
Western District of New York

6:16-cv-06123
Liberty Pumps, Inc. v. Franklin Electric Co., Inc.

Lincoln Electric Company et al
Northern District of Ohio

1:15-cv-01575
Lincoln Electric Company et al v.
Seabery Soluciones SL et al

Lola Style, Inc.
Southern District of Florida

1:15-cv-22591
Lola Style, Inc. v. U.S.A. Dawgs, Inc.

Merz North America, Inc.
Eastern District of North Carolina

5:15-cv-00262
Merz North America, Inc. v. Cytophil, Inc.

Appendix A

O.F. Mossberg & Sons, Inc.
District of Connecticut

3:12-cv-00198
O.F. Mossberg & Sons, Inc. v.
Timney Triggers, LLC

3:16-cv-00747
O.F. Mossberg & Sons, Inc. v.
Patriot Ordnance Factory, Inc.

3:16-cv-00748
O.F. Mossberg & Sons, Inc. v.
Elftmann Gun Products LLC

3:16-cv-00749
O.F. Mossberg & Sons, Inc. v. Black Rain Ordnance

3:16-cv-00751
O.F. Mossberg & Sons, Inc. v.
Battle Tested Equipment LLC

3:16-cv-00752
O.F. Mossberg & Sons, Inc. v.
Hogan Manufacturing LLC

3:16-cv-00766
O.F. Mossberg & Sons, Inc. v.
Franklin Armory Holdings Inc.

3:16-cv-00770
O.F. Mossberg & Sons, Inc. v. KE Arms, LLC

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3:16-cv-00771
O.F. Mossberg & Sons, Inc. v.
2360216 ONTARIO INC.

3:16-cv-00773
O.F. Mossberg & Sons, Inc. v. DOA Arms LLC

Omix-ADA, Inc.
Northern District of Georgia

1:16-cv-03159
Omix-ADA, Inc. v. Liu et al

1:16-cv-03962
Omix-Ada, Inc. v. Rev Wheel, LLC et al

Paris Presents Incorporated
Northern District of Illinois

1:16-cv-07802
Paris Presents Incorporated v.
Lifestyle Products, LLC

Polyzen, Inc.
Eastern District of North Carolina

5:11-cv-00662
Polyzen, Inc. v. Radiadyne, LLC

5:14-cv-00323
Polyzen, Inc. v. Radiadyne, LLC

Appendix A

PRECISION FABRICS GROUP, INC.
Middle District of North Carolina

1:13-cv-00645
PRECISION FABRICS GROUP, INC. v.
TIETEX INTERNATIONAL, LTD.

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IN THE

Supreme Court of the United States

TC HEARTLAND LLC,
D/B/A HEARTLAND FOOD PRODUCTS GROUP,

Petitioner,

v.

KRAFT FOODS GROUP BRANDS LLC,

Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF 22 LAW, ECONOMICS AND BUSINESS PROFESSORS AS AMICI CURIAE IN SUPPORT OF RESPONDENT

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March 8, 2017

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INTEREST OF AMICI CURIAE

Amici are law, economics, and business professors who teach, research and write in the areas of patent law, civil procedure, and the policy, economics, and business of innovation.[1] The professors are committed to the development of patent law doctrine that best promotes innovation and competition. Amici have no personal interest in the outcome of this case. A full list of amici is appended to the signature page.

SUMMARY OF ARGUMENT

This case raises both statutory interpretation and policy issues regarding venue in patent lawsuits. The parties and other amici have sufficiently briefed the statutory interpretation issues. Amici here instead focus on the policy issues.

In short, the aims of patent law are better served under the Federal Circuit's rule—that a corporate defendant can be sued in any district in which personal jurisdiction lies—than a rule that limits

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[1] Pursuant to Supreme Court Rule 37.6, amici curiae state that no counsel for any party authored this brief in whole or in part. The Center for the Protection of Intellectual Property, an academic center at the Antonin Scalia Law School at George Mason University, paid for the printing and filing of this brief. No other person or entity, or its counsel, made a monetary contribution to the preparation or submission of this brief. Amici curiae gave timely notice to Petitioner and Respondent of their intent to file this brief, who have consented to the filing of this brief; their written consents are on file with the Clerk.

venue solely to those districts in which the defendant is incorporated or has a regular and established place of business and has committed acts of infringement. There are three major reasons supporting this position.

First, Petitioner and its supporting amici highlight the concentration of patent lawsuits in a small number of judicial districts. However, reversing the decision below would not change this concentration. Indeed, a rigorous academic study by one of Petitioner's own amici shows that adopting Petitioner's position would have no impact on the present concentration of roughly 60% of all patent cases in just five jurisdictions. Colleen V. Chien & Michael Risch, *Recalibrating Patent Venue*, at 36 (Working Paper, Oct. 6, 2016), https://ssrn.com/abstract=2834130. In other words, regardless of how this Court rules in this case, roughly 60% of cases will continue to be filed in the same handful of jurisdictions.

The same study shows that the only major shift in lawsuits would be from a single district to merely two other districts. Specifically, the Eastern District of Texas would drop from about 36% to 15% of all cases, and the Northern District of California and the District of Delaware would collectively rise from about 14% to 37% of all cases. *Id.*

No plausible argument can be made—and Petitioner and its amici have not offered an argument—that shifting cases from *one* district to *two* districts would result in a meaningful distribution of patent cases among the *ninety-four* federal district courts.

Second, Petitioner and its *amici* argue, directly or indirectly, that the Eastern District of Texas is too pro-patentee, particularly to patent owners that rely heavily on licensing to generate revenue, including so-called patent assertion entities (PAEs) and non-practicing entities (NPEs).[2] What Petitioner and its amici do not acknowledge is that the Northern District of California is on-the-whole less hospitable to patent owners, and the District of Delaware is less hospitable to non-pharmaceutical patent owners, especially NPEs.

Furthermore, adopting Petitioner's position would result in more than twice the number of cases being filed in the District of Delaware. Given the small size of that district's bench, this increase would almost certainly lead to much longer times to case resolution. Other than pharmaceutical companies involved in Hatch-Waxman actions seeking to prevent generic drugs from entering the market, delays in patent actions typically prejudice all types of patent owners. Tilting the playing field against patentees by reshuffling cases among a few districts does not

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[2] These terms are often misnomers because they are not used consistently and often refer to disparate types of entities—such as universities, individual inventors, research-focused companies, and patent aggregators—that may vary widely in their patent litigation and licensing behavior. *See, e.g.*, Christopher A. Cotropia, Jay P. Kesan & David L. Schwartz, *Unpacking Patent Assertion Entities (PAEs)*, 99 Minn. L. Rev. 649, 651-54 (2014); Kristen Osenga, *Sticks and Stones: How the FTC's Name-Calling Misses the Complexity of Licensing-Based Business Models*, 22 Geo. Mason L. Rev. 1001, 1002-04 (2015).

promote the goal of equitable case distribution.

Whatever one's position is on whether the Eastern District of Texas, the Northern District of California, or the District of Delaware best implements patent law, the proper *judicial* remedy for aggrieved parties to correct substantive and procedural "errors" in these districts is through the appellate process.[3] Of course, if Congress believed any district presented a sufficient cause for concern, it could legislatively restructure patent venue rules. Notably, despite numerous calls to do so, Congress has not imposed a single restriction on patent venue since the rise in patent litigation in the 1990s and 2000s, even as it substantially altered other portions of the patent statutes. Contrary to Petitioner's and its amici's allegations of bias, Congress effectively authorized the Eastern District of Texas to be part of the Patent Pilot Program, which is designed to channel cases to judges well-versed in patent law.

Third, corporate defendants often commit substantial and actionable harm in numerous jurisdictions. When a corporate defendant's level of harm and contacts with a jurisdiction are so substantial that a lawsuit in that jurisdiction would not offend "traditional conception[s] of fair play and substantial justice," *International Shoe Co. v. Washington*, 326 U.S. 310, 320 (1945), Congress has determined that as a default rule for any type of civil case brought in federal court, venue is proper. In other

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[3] Indeed, Congress created the Federal Circuit Court of Appeals in 1982 to increase the uniformity of decisions in patent cases. *See* Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25.

words, corporate defendants are generally subject in *any* civil complaint to venue in *any* district in which personal jurisdiction lies.

Thus, what Petitioner and its *amici* characterize as allegedly pernicious "forum shopping" and "forum selling" that must be eliminated is effectively a position that Congress has already rejected in its default rule governing venue for corporate defendants in essentially all federal civil cases. This decision is sound: a plaintiff should be entitled to seek redress in a district in which a corporate defendant has inflicted substantial harm—so substantial that the defendant "should reasonably anticipate being haled into court" in that district. *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 474 (1985) (quoting *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 297 (1980)).

Patent law is no different from other areas of law when it comes to so-called forum shopping—a plaintiff for any type of action will choose the forum that provides it the best opportunity for success. Contrary to the assertions of some of Petitioners' amici, there is no reliable evidence showing that NPEs typically bring baseless or weak claims to extract a nuisance settlement. Rather, like any area of law, some plaintiffs will bring meritless claims—and, in patent law, this includes NPEs and non-NPEs alike. And, like any area of law, courts and defendants have numerous tools to root out such claims. Importantly, this Court has consistently found that patent law is not an island to its own, especially in procedural matters. Affirming the opinion in this case merely maintains the alignment of patent venue with standard venue rules.

Even assuming that "forum shopping" in patent cases warranted exceptional treatment, only Congress can craft a solution that meaningfully distributes cases among the district courts and equitably treats patent owners and accused infringers alike. In contrast, by merely shifting cases from one jurisdiction that is relatively favorable to patent owners to two jurisdictions that are relatively less favorable, Petitioner's proposed venue rule is not only inequitable, but would very likely create serious impediments to innovative activity for many types of patent owners.

Innovators and their investors have long been vital to a flourishing innovation economy in the United States. Startups, venture capitalists, individual inventors, universities, and established companies often rely heavily on patents to recoup their extensive investments in both research & development and commercialization. By restricting the districts in which a patent owner can bring suit, the value of the patent itself is lessened, diminishing the economic incentives the patent system provides to spur innovation.

ARGUMENT

I. Adopting Petitioner's Position Would Not Meaningfully Distribute Patent Lawsuits Among The District Courts

Petitioner and its supporting amici argue that *VE Holding* and its progeny have led to a disproportionate share of patent lawsuits being filed in one judicial

district, namely, the Eastern District of Texas. *See* Pet. Br. 14-16, 37-39; ABA Br. 7-9; GPhA Br. 3, 11.

As a preliminary matter, Petitioner and its amici focus on the year 2015, highlighting that approximately 44% of all patent lawsuits were filed in the Eastern District of Texas in that year. Pet. Br. 15. Yet, in 2014, the Eastern District of Texas heard only 29% of all patent cases, and in 2016, it heard 36% of all patent lawsuits. Docket Navigator Analytics, New Patent Cases, https://www.docketnavigator.com/stats (visited Mar. 2, 2017). In 2017, so far the rate has remained at about 35%. *Id.*

Regardless of this decline, it remains clear that a substantial number of patent lawsuits are filed in just a handful of the ninety-four district courts. Specifically, five districts—the Eastern District of Texas, the District of Delaware, the Central District of California, the Northern District of California, and the District of New Jersey—accounted for roughly 60% of all patent cases filed in 2016. *Id.*

On its face, this concentration of lawsuits in just five districts could be a cause for concern. Yet, Petitioner's proposed solution in this case would not meaningfully disperse cases among all the district courts. A recent empirical study by one of Petitioner's own amici found that restricting venue in the manner advocated by Petitioner would still leave roughly 60% of all patent cases in the same five jurisdictions. Chien & Risch, *Recalibrating Patent Venue*, at 36. Rather, all that would result is a net shift from roughly 35% of cases being heard in the Eastern District of Texas to roughly 37% of cases being heard in the Northern District of California and the

District of Delaware.[4] *Id.* In other words about 21% of all cases would, on balance, be channeled from one district to two districts. *Id.*

No plausible argument can be made—and Petitioner and its amici have not offered one—why shifting the concentration of cases from *one* district to *two* districts would result in a meaningful distribution of patent cases among the *ninety-four* federal district courts. Even if one believed that substantial benefits would arise from the widespread distribution of patents cases, a reversal in this case would not achieve those benefits.

II. Petitioner's And Its Amici's Goal Is To Channel Patent Lawsuits To Jurisdictions That Are Generally More Favorable To Accused Infringers

As just explained, the policy argument that there is an unjustified concentration of patent lawsuits in one or two districts is a red herring in this case. This argument is intended to divert attention from a more understandable and prosaic goal: to make it more difficult for certain patent owners to win their lawsuits in district court.

It is well-known that the Eastern District of Texas is viewed favorably by patent owners. It is equally well-known that the Northern District of California is

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[4] The study finds that for "NPE" cases, the Eastern District Texas would drop from 64% to 19% of all NPE cases, and the District of Delaware and Northern District of California would rise collectively from about 10% to 43% of all NPE cases. *Id.*

viewed less favorably by patent owners. Although the District of Delaware is sometimes considered to be favorable for patent owners, this view is mainly explained by the relatively large number of patent infringement cases filed there by pharmaceutical companies. When those cases are disregarded, the District of Delaware is much less favorable for patent owners, especially for NPEs, than the Eastern District of Texas. *See, e.g.*, John R. Allison, Mark A. Lemley & David L. Schwartz, *Our Divided Patent System*, 82 U. Chi. L. Rev. 1073, 1149 (2015) (showing in a full regression that controls for industry-type and for other relevant factors that there is no significant or substantial increased likelihood of a patent owner winning its suit from filing in the District of Delaware); PricewaterhouseCoopers LLP, 2016 Patent Litigation Study, at 16, Fig. 20 (May 2016), https://www.pwc.com/us/en/forensic-services/publications/assets/2016-pwc-patent-litigation-study.pdf (finding that from 1996-2015 the "NPE success rate" was 48% in the Eastern District of Texas, 27% in the District of Delaware, and 13% in the Northern District of California).

Moreover, if this Court adopts Petitioner's position, the District of Delaware will become even less favorable for non-pharmaceutical patentees because—given its small number of judges—times to resolution in this district are likely to increase substantially. Longer times to resolution increase not only litigation costs, but also the harms from a defendant's on-going infringement. The same studies cited above indicate caseloads in the district would more than double—from about 450 cases per year to 1070 cases. This is alarming for most patent owners,

District of Delaware.[4] *Id.* In other words about 21% of all cases would, on balance, be channeled from one district to two districts. *Id.*

No plausible argument can be made—and Petitioner and its amici have not offered one—why shifting the concentration of cases from *one* district to *two* districts would result in a meaningful distribution of patent cases among the *ninety-four* federal district courts. Even if one believed that substantial benefits would arise from the widespread distribution of patents cases, a reversal in this case would not achieve those benefits.

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Moreover, if this Court adopts Petitioner's position, the District of Delaware will become even less favorable for non-pharmaceutical patentees because—given its small number of judges—times to resolution in this district are likely to increase substantially. Longer times to resolution increase not only litigation costs, but also the harms from a defendant's on-going infringement. The same studies cited above indicate caseloads in the district would more than double—from about 450 cases per year to 1070 cases. This is alarming for most patent owners,

as even in 2013, then-Chief Judge Sue Robinson testified to Congress that the district's patent docket was expanding quickly and the court could not "keep this level of work up indefinitely." *Federal Judgeship Act of 2013: Hearing Before the Subcomm. on Bankruptcy and the Courts of the S. Comm. on the Judiciary*, 113th Cong. 3 (2013).

It is unsurprising that large corporate defendants that often find themselves accused of patent infringement would undertake efforts to relocate their cases to jurisdictions in which they are more likely to obtain more favorable results through the costs of delay or judgments in their favor. Indeed, many of the same companies and industry associations that have submitted numerous amicus briefs in favor of Petitioner have been lobbying Congress for several years to pass laws, like the VENUE Act, S. 2733, 114th Cong. (2016),[5] which would similarly result in shifting patent cases from the Eastern District of Texas to the Northern District of California and the District of Delaware. *See* Chien & Risch, *Calibrating Patent Venue*, at 37. It is notable that, despite this

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[5] *See, e.g.*, Ryan Davis, *Senate Judiciary Leader Won't Consider Patent Venue Bill*, Law360, May 13, 2016, https://www.law360.com/articles/796196/senate-judiciary-leader-won-t-consider-patent-venue-bill (listing Intel, the Electronic Frontier Foundation, and Public Knowledge as supporting the VENUE Act); United for Patent Reform, *Letter to Senators Flake, Gardner, and Lee*, Mar. 18, 2016, http://www.unitedforpatentreform.com/files/final-upr-venue-intro-letter1213646601.pdf (listing National Association of Realtors, Engine Advocacy, and Software & Information Industry Association as supporting the VENUE Act).

extensive lobbying, the only action Congress has taken with respect to the Eastern District of Texas was to effectively authorize it for its Patent Pilot Program, which is designed to channel cases to judges well-versed in patent law.[6]

It is important to recognize that corporate defendants are not left without recourse under current law. First, if a patentee has truly filed a frivolous suit, defendants may seek attorneys' fees and costs, particularly under this Court's recent decisions that liberalized the legal standards in these circumstances. *See Highmark Inc. v. Allcare Health Management System, Inc.*, 134 S. Ct. 1744 (2014); *Octane Fitness LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014).

Second, if an aggrieved party believes that a district court wrongly decided an issue, failed to adhere to procedural dictates, and the like, that party may of course raise the issue in an appellate court. And litigants who are sued in the Eastern District of Texas are not without remedy. For example, in *In re Google, Inc.*, Case No. 2017-107 (Fed. Cir. Feb. 23, 2017), following a denial of a transfer motion in the

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[6] Although the Administrative Office of the U.S. Courts nominally selected the district courts for the program, Congress authorized selection from among the 15 district courts with the largest number of patent cases and those with local patent rules. The Eastern District of Texas satisfied both criteria, and—given active lobbying relating to patent venue issues from the mid-2000s to 2011—Congress was presumably well-aware of that fact when it passed the authorizing Act. *See* Patent Pilot Program Act of 2011, Pub. L. No. 111-349, 124 Stat. 3674.

Eastern District of Texas, the Federal Circuit granted Google's mandamus petition to transfer the case to the Northern District of California. The Federal Circuit has similarly granted mandamus petitions in other actions, including cases filed in the Eastern District of Texas.[7]

Although the appellate process may be more costly than winning in the first instance,[8] as the next section explains, this is a cost that Congress has long tolerated in its policy choices regarding venue selection.

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[7] *See, e.g.*, *In re Toyota Motor Corp.*, 747 F.3d 1338 (2014); *In re Apple, Inc.*, 581 Fed. Appx. 886 (2014); *In re WMS Gaming, Inc.*, 564 Fed. Appx. 579 (2014); *In re TOA Techs., Inc.*, 543 Fed. Appx. 1006 (2013); *In re Verizon Bus. Network Servs.*, 635 F.3d 559 (2011); *In re Genentech*, 566 F.3d 1338 (2009); *In re TS Tech United States Corp.*, 551 F.3d 1315 (2008).

[8] Despite these reversals, there is no evidence that the Eastern District of Texas exhibits a substantially higher reversal rate than average. According to a study by PricewaterhouseCoopers, from 2006 to 2012, the Eastern District of Texas was fully affirmed 42% of the time, compared with 48% for all districts. PricewaterhouseCoopers LLP, 2015 Patent Litigation Study, at 21 (May 2015), https://www.pwc.com/us/en/forensic-services/publications/assets/2015-pwc-patent-litigation-study.pdf. Given the variation in the types of cases and issues appealed from different districts—for instance, the Eastern District of Texas typically handles a large number of software cases, which tend to have higher reversal rates on issues like claim construction—this difference is not particularly meaningful, much less large.

III. The General Rule In Civil Cases That Plaintiffs May Sue Corporate Defendants In Any District In Which Personal Jurisdiction Lies Is Sensible For Patent Actions

Petitioner and its amici complain of "forum shopping" and "forum selling" that allegedly occurs in patent actions. *See, e.g.*, Pet. Br. 37-39; SIAA Br. 19-25. Several amici further complain that districts other than where the defendant is incorporated or has a regular and established place of business and commits acts of infringement have "little connection to the defendant or its alleged infringement.".[9] SIAA Br. 21. What these arguments overlook is that the default venue rule in all federal actions against corporate defendants is that *they may be sued in any district in which personal jurisdiction lies*. *See* 28 U.S.C. § 1391(b), (c)(2) (2012).

First, Congress has already determined that in essentially all types of actions—consistent with due process requirements and the possibility of transfer—a plaintiff may select any forum in a suit against a corporate defendant. Thus, what Petitioner labels "forum shopping" is essentially the long-chosen federal policy in suits against corporate defendants. *See Goad v. Celotex Corp.*, 831 F.2d 508, 512 n.12 (4th Cir. 1987) ("There is nothing inherently evil about

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[9] On Petitioner's view, even suit in a district in which an accused infringer is headquartered would be improper unless acts of infringement occurred there. *See* Resp. Br. 49-50 (describing this result).

forum-shopping. . . . [C]omplaints about forum shopping expressly made possible by statute are properly addressed to Congress, not the courts.").

It is now well-settled that "the plaintiff is the master of the complaint," *Caterpillar Inc. v. Williams*, 482 U.S. 386, 398-99 (1987), and that it can ordinarily bring suit in any jurisdiction in which a corporate defendant has committed substantial harm. 14D Charles Alan Wright *et al.*, Federal Practice and Procedure §§ 3805, 3811 (4th ed. 2016). According to the leading civil procedure treatise, Congress has "nearly eliminate[d] venue as a separate restriction in cases against corporations." *Id.* § 3802.

In general matters of litigation, such as procedural rules, there is typically no reason to treat patent law differently from other areas of law. This Court has repeatedly recognized as much in its recent decisions. *See, e.g.*, *Halo Electronics, Inc. v. Pulse Electronics*, 136 S. Ct. 1923 (2016) (enhanced damages); *Octane Fitness LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1758 (2014) (abrogating patent-specific rules on fee shifting under § 285 of the Patent Act by reference to "comparable fee-shifting statutes" in other areas of law); *Gunn v. Minton*, 133 S. Ct. 1059 (2013) (subject matter jurisdiction); *Medimmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007) (rejecting special rule for patent cases in declaratory judgment actions); *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 388 (1996) (holding that construction of patents is a legal question because, among other reasons, the "construction of written instruments is one of those things that judges often do and are likely better to do than juries

unburdened by training in exegesis"); *Dennison Mfg. Co. v. Panduit Corp.*, 475 U.S. 809, 810-11 (1986) (holding that the Federal Circuit must follow FRCP 52(a)'s standard of review of factual determinations by district courts in patent cases). *Cf. eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006) (injunctions).

The policy concerns raised by Petitioner and its amici so as to justify a restricted rule of venue for patent actions are either unsubstantiated or are no different from concerns arising in other areas of civil litigation. First, there is the concern about individuals and companies pejoratively known as "patent trolls" or by the allegedly more neutral-sounding terms "patent assertion entities" (PAEs) or "non-practicing entities" (NPEs). The implicit allegation is that a very large percentage of cases brought by NPEs are essentially baseless or weak cases.

However, there is no valid empirical evidence that supports such an assertion. *See* Adam Mossoff & Ted M. Sichelman, *Letter to Congress from 28 Law Professors & Economists Urging Caution on the VENUE Act* (Aug. 1, 2016), http://ssrn.com/abstract=2816062; John R. Allison, Mark A. Lemley & David L. Schwartz, *How Often Do Non-Practicing Entities Win Patent Suits?*, at 52-54 (Working Paper, Apr. 22, 2016), https://ssrn.com/abstract=2750128 (finding that once other explanatory factors, such as jurisdiction and technology, were taken into account, "[o]perating companies . . . were not demonstrably more likely than

NPEs to win their patent cases").[10] Like any area of law, a small percentage of cases will be frivolous or weak (*i.e.*, have a low probability of success). There is no reliable evidence that patent law has a greater percentage of frivolous or weak cases than other complex areas of the law, such as securities and products liability.

In this regard, the assertion that the venue rules applying to *all* patent owners should be severely restricted given the actions of *some* patent owners is not only ill-advised but fundamentally unfair to those patent owners who file good faith claims. For example, it would serve no legitimate purpose to deny Respondent Kraft Foods—a manufacturer who is certainly *not* a "troll" and who did not file a lawsuit in the Eastern District of Texas—the ability to choose a

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[10] Of course, it is always possible to divide up the category of NPEs more and more finely in order to find a class of defendants that appear to abuse the system. For example, relying on a recent report by the Federal Trade Commission, some of Petitioners' amici allege that "litigation PAEs"—an NPE sub-group consisting of patent aggregators that appear to frequently litigate the patents they own—often file nuisance suits. Prof. Law. Econ. Br. 9. As an initial matter, these amici loosely sprinkle the terms "troll," "PAE," and "litigation PAE" together, when "litigation PAE" is but a distinct subclass of NPEs. In any event, even if such assertions are true—though, to be certain, no reliable, systematic empirical evidence exists to substantiate such claims—there is no compelling reason why the abusive behavior of a relatively narrow sub-class of patent owners should dictate a policy regarding venue that affects all patent owners, including not only those NPEs that are not "litigation PAEs" but also operating companies. *See infra*.

suitable forum, just like plaintiffs suing corporate defendants in nearly all other areas of law.

Second, there is the allegation that some district courts are "forum selling" by intentionally making their jurisdiction more attractive to plaintiffs. *See, e.g.*, Prof. Law. Econ. Br. 6-10. Like "forum shopping," allegations of "forum selling" are common in many areas of civil litigation. *See Tyler v. Michael Stores, Inc.*, 150 F. Supp. 3d 53, 66 n.29 (D. Mass. 2015) (discussing in a class action case that the problem of forum selling "is applicable to district courts generally"); Todd J. Zywicki, *Is Forum Shopping Corrupting America's Bankruptcy Courts?*, 94 Geo. L.J. 1141, 1144-45 (2006) (discussing how forum selling led to a concentration of bankruptcy cases in the Southern District of New York and the District of Delaware in the 1980s and 1990s); Daniel Klerman & Greg Reilly, *Forum Selling*, 89 S. Cal. L. Rev. 241, 285-99 (2016) (tracing forum selling to the seventeenth and eighteenth centuries and gathering recent examples such as mass torts, class actions, bankruptcies, and domain name dispute resolutions).[11]

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[11] Much of the early literature on a forum adapting its law and procedures to generate business in the jurisdiction concerns Delaware's corporation-friendly legal environment. *See, e.g.*, William L. Cary, *Federalism and Corporate Law: Reflections upon Delaware*, 83 Yale L.J. 663, 663 (1974) ("Delaware is both the sponsor and the victim of a system contributing to the deterioration of corporation standards."). Ironically, the very corporations that have actively benefited from such "forum selling" in the corporate law context now seek to limit patent venue—

Similar to the allegations about problems from "trolls," there is no reliable, rigorous study that proves that forum "shopping" or "selling" is occurring in any significant manner in patent cases that would justify systemic deviation from the general venue rule. But even if such concerns justified an exceptional approach, this Court cannot change the existing venue rule in a way that meaningfully distributes cases among the district courts and equitably treats patent owners and accused infringers alike.

Specifically, the relevant statutory provisions leave this Court with no more than a simple, binary choice: maintain the existing rule or adopt Petitioner's narrow construction. As explained earlier, rather than reallocate cases among many jurisdictions in an equitable manner, Petitioner's approach would merely result in a shift of cases from one jurisdiction that is relatively favorable to patent owners to two jurisdictions that are relatively less favorable. To the extent there is a problem in need of a solution, only Congress has the flexibility to craft an appropriate set of rules.

The inequities of adopting Petitioner's position are readily apparent in this case. Respondent Kraft Foods sued Petitioner TC Heartland in the District of Delaware for the same reason patent owners are suing in the Eastern District of Texas: that is where a substantial amount of alleged infringing acts occurred and where Kraft Foods believes it is likely to succeed on the merits. There is nothing unfair about this choice. TC Heartland purposefully availed itself of

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so as to channel many of their cases to Delaware—to combat "forum selling" in the patent litigation context.

substantial financial benefits in Delaware by selling its allegedly infringing products there, such that Delaware's jurisdiction over it comports with notions of "fair play and substantial justice."[12] *International Shoe*, 326 U.S. at 320. In choosing its forum, Respondent Kraft Foods has engaged in conduct that is "no different from the litigation strategy of countless plaintiffs who seek a forum with favorable substantive or procedural rules or sympathetic local populations." *Keeton v. Hustler Magazine, Inc.*, 465 U.S. 770, 779 (1984).

CONCLUSION

For the foregoing reasons, the decision of the Court of Appeals for the Federal Circuit should be affirmed.

Respectfully submitted,

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[12] Notably, Petitioner did not appeal the Federal Circuit's denial of mandamus on the ground of lack of personal jurisdiction. *See* Pet. i.

APPENDIX

APPENDIX

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RECORD AND BRIEFS

No. 16-341

IN THE

Supreme Court of the United States

TC HEARTLAND LLC,

Petitioner,

v.

KRAFT FOODS GROUP BRANDS LLC,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

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STATEMENT OF INTEREST[1]

Unified Patents Inc. is a member organization dedicated to deterring non-practicing entities, or NPEs,[2] from using extortionate litigation tactics to extract settlements from operating companies based on patents that might well be found invalid before the district courts and unpatentable before the patent office, but for the expense of defending against them.

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1. This brief is filed with the written consent of all parties. No counsel for any party authored this brief in whole or in part, and no person or entity other than amicus curiae, its members, or its counsel made a monetary contribution intended to fund its preparation or submission.

2. We recognize and define NPEs as follows:

Non-Practicing Entity (NPE) = Company which derives the majority of its total revenue from Patent Licensing activities.

NPE (Patent Assertion Entities) = Entity whose primary activity is licensing patents and acquired most of its patents from another entity

> An NPE may also derive most of its total revenue from Product Sales or Services, or may be an entity whose original activity was providing products and services, but now is primarily focused on monetizing its own patent portfolio, or may be an entity owned or controlled by an individual inventor who is primarily focused on monetizing inventions patents by that individual inventor.
>
> In contrast to an NPE, an operating company is one which derives most of its total revenue from Product Sales or Services.

Unified serves more than 150 members, from small technology start-ups to automobile manufacturers, cable companies, banks, and other Fortune 500 companies, as well as industry groups and others dedicated to reducing the unnecessary drain on the US economy of the now-prolific baseless litigation over infringement of broad patents of dubious validity. Unified challenges patents using publicly available means, fights NPEs before the Patent Trial and Appeal Board, and helps to reduce the costs companies incur fighting off baseless litigation. In so doing, Unified encourages operating companies to invest in commercializing technology, and thus advances public policies that foster competition and innovation. Addressing the strategic use of venue, a form of "forum shopping" in which venue is selected per the monetary goals of a particular patent litigation rather than in the interests of justice and thus stifles innovation, is central to Unified's mission.

INTRODUCTION

Patent litigation today is dominated by plaintiffs' forum shopping—a widely used tactic that springs directly from the Federal Circuit's misinterpretation of the patent venue statute. This *amicus curiae* brief seeks to explain those inequities and their effects on technological innovation, business, and fairness.

The Federal Circuit's broad interpretation of venue for patent cases is contrary to the venue laws for any other form of litigation, in any other Circuit, and is contrary to the interpretation of this Court. It is unsupported

by the plain language of the statute,[3] and frustrates the recently passed America Invents Act (AIA). Congress intended that the AIA would assist American industry in dealing with an ever-increasing number of lopsided, costly, and often questionable patent lawsuits in which low-quality patents were asserted in far-flung judicial districts. As part of the AIA, Congress introduced, among other things, *inter partes* reviews (IPRs), which allow any interested party to avail itself of the expertise of the United States Patent & Trademark Office (PTO) to consider patentability efficiently, by an administrative Board convened within the PTO itself, based on evidence and arguments not previously considered.[4] By helping ferret out unpatentable claims that likely never should have issued or which intervening Supreme Court cases have thrown into question, this Patent Trial and Appeal Board (PTAB) has helped to deter some frivolous and exploitative patent litigation. Yet NPEs still litigate early and often in the district court system, particularly in the Eastern District of Texas, and exploit venue via an extreme type of forum shopping. Thus, Congress's goal remains largely unrealized, and the problem of lopsided, costly, and often questionable patent lawsuits persists.

Lax patent venue rules persist. Nationwide venue has allowed NPEs to compensate, in general terms, for some of the leverage they lost with the establishment of the PTAB. Venue was addressed in the AIA, though tangentially, through restrictions on joinder, but nothing today prevents NPE plaintiffs from using dozens of cheap-to-file, expensive-to-litigate complaints to extract nuisance settlements in any district in the country,

3. Pub. L . No. 112-29, 125 Stat. 284 (2011).

4. 35 U.S.C. §§ 312–16; § 325(d).

regardless of where the accused infringers do business. The AIA—and broad court decisions below—allow NPEs to strategically select specific district courts they think will best achieve their objectives.

As a result of the Federal Circuit's interpretation of venue, modern patent practice has evolved so that the vast majority patent disputes are settled in one of two venues: the District Court for the Eastern District of Texas (EDTX), and the District Court for the District of Delaware (DDE). The remaining 92 district courts are virtually irrelevant to patent law today. Indeed, one judge and magistrate in the Eastern District of Texas preside over thousands of patent cases annually: two judges control more than a third of the nation's patent docket.[5] This extreme concentration of cases is inexplicable within a fair legal system, and appears unique in the history of the Federal District Courts.

This narrowing of the arena for patent litigation—largely due to the Federal Circuit's rejection of this Court's ruling in *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222 (1957)—awards an unprecedented litigation advantage to plaintiff-NPEs. Because the EDTX and DDE are demonstrably cheaper, easier, and quicker to work within than the other 92 districts,[6] yet remain lopsidedly

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5. *See* Jonathan Stroud, NFC Tech. v. HTC Am.: *Judge Bryson's Sitting-by-Designation Guide to Securing Stays in Light of Inter Partes Reviews*, 65 Am. U. Law Rev. 1075, at 1078 (2016) (finding the "U.S. District Court for the Eastern District of Texas" was "home to forty-four percent of all patent litigation in the United States," referencing the Unified Patents 2015 Annual Report) (footnote and citation omitted).

6. Possibly at least partially due to "forum selling," *see, e.g.*,

expensive for the defense of alleged infringement, when deciding where to litigate NPEs need only choose between these two courts according to their strategic needs. This is neither what Congress nor this Court intended, and this patent exceptionalism merits emendation.

SUMMARY OF THE ARGUMENT

By rejecting *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222 (1957), as well as the plain meaning of 28 U.S.C. § 1400(b), the Federal Circuit has allowed patent plaintiffs to file suit against defendants wherever personal jurisdiction can be established. To wit, patent plaintiffs can select a jurisdiction for suit based upon strategies divorced from the case itself. For example, a plaintiff more interested in negotiating a settlement can sue in a jurisdiction they perceive to be more likely to grant discovery, deny summary judgment motions, and have a jury trial, while a plaintiff more interested in litigating can file where a court asks for damages contentions, takes early claim construction, and controls and limits the cost of discovery.

Jurisdictions differ in substantive ways—particularly for patent litigation—including their speed of adjudication, local procedural patent rules, speed and method of disposition, willingness to transfer, likelihood of granting jury trials, and, at least as perceived, in their biases towards certain types of parties—plaintiffs vs. defendants, foreign vs. domestic, etc. These differences are reflected in win rates for different types of plaintiffs, damages awards, settlement rates and speed to settlement, and in how cases are won or lost.

Matthew Sag, *IP Litigation in U.S. District Courts: 1994-2014*, 101 Iowa L. Rev. 1065 (2016)

Given the same law and facts, legal outcomes should be the same in any jurisdiction. When this precept is defied, the result is not only inefficiency—with forum-shopping causing excessive costs for both plaintiffs and defendants—but also can lead to a lack of respect for the law. As has been noted, "unpredictability and inconsistency in the application of the law among the district courts.... erodes public confidence in the law and its enforcement and creates doubt about the fairness of the system."[7] Unpredictability also reduces the value of valid patents and results in a diversion of resources from innovation to enforcement.[8] Frustratingly, even in the face of the AIA, the costs of the patent litigation system have appeared relatively static, suggesting that it has taken on a self-sustaining life of its own.[9]

Worse, under the current patent venue regime, outcomes in some types of patent cases are predictable, because certain jurisdictions act procedurally in ways that specifically bias litigation cost and case outcomes toward certain plaintiffs. Patent litigation is not now a question of law and facts, but neither is it a roll of the dice: litigators can pick their jurisdiction strategically to improve their chance of success. Such success can mean dozens of quick settlements for hundreds of thousands or even millions of dollars, with certain defendants who can afford to fight earning walk-away settlements, and others forced to pay

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7. Kimberly A. Moore, *Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation*, 79 N.C. L. Rev. 889, 924 (2001).

8. *Id.* at 928ff.

9. *See, e.g.*, Mark A. Lemley, *The Surprising Resilience of the Patent System*, 95 Texas L. Rev. 1 (2016).

the piper a settlement calculated as less than the cost of getting to a question of validity on summary judgment.

The current patent venue regime is demonstrably and quantifiably imbalanced, parties have used this imbalance to secure individual leverage, and public perception of the fairness of the courts has been damaged. The regime must be changed. This Court should reaffirm their ruling in *Fourco* to restore public confidence and economic efficiency in the adjudication of the only legal monopolies our system tolerates.

ARGUMENT

Jurisdictions Differ in Substantive Ways Relevant to Patent Litigation that Can Bias Proceedings Against a Patent Defendant.

Jurisdictions differ in substantive ways relevant to patent litigation, and certain jurisdictions act in ways that specifically bias case costs and case outcomes toward certain plaintiffs. For example, local rules and practice in the Eastern District of Texas dictate a very quick and expensive discovery and trial schedule—relative to that of other courts— thus benefiting plaintiffs who can prepare their case before filing. Matthew Sag, *IP Litigation in U.S. District Courts: 1994–2014*, 101 Iowa L. Rev. 1065, at 1136 (2016). The Eastern District also effectively discriminates against defendants with its self-proclaimed stance against summary judgment motions, based on its attitude that "[p]arties now routinely file summary judgment motions on nearly every major trial issue, regardless of whether the documentary evidence warrants summary judgment." *Order Regarding Letter*

Briefs, Summary Judgment Motions, Motions to Strike Expert Testimony/Daubert Testimony/Daubert Motions (E.D. Tex. Jun. 17, 2016). This attitude itself pre-judges whatever evidence defendants may have that plaintiffs have filed a frivolous or meritless suit that might be easily disposed of.

Further, the method by which judges are assigned to cases in the Eastern District of Texas, in which random assignment is biased by a pre-determined percentage for each type of case, combined with the fact that the district fields only fifteen judges in six divisions, means that a crafty plaintiff practically select the judge to which their case is assigned by filing in a selected division. *See* J. Jonas Anderson, *Court Competition for Patent Cases*, 163 U. Pa. L. Rev. 631, 671 (2015). And the particular judge assigned to a case can make a big difference: while the overall percentage of favorable decisions for NPE patent holders in 2016 was 33%, in the period 1995–2016 the success rate in the courtroom of one Eastern District of Texas judge was 2.2 times this average, and in another, 1.7 times.[10]

Local practices and rules in different jurisdictions can produce a favorable environment for patent plaintiffs in terms of bias against defendants in, e.g., speed of litigation, summary judgments, and judge selection, so that one would expect win rates for plaintiffs to be higher in some jurisdictions than others. But "win" is a complete measure of success only in each trial. Overall, in this district verdicts were found for patent plaintiffs in 52%

10. PricewaterhouseCoopers LLP, *2016 Patent Litigation Study*, at 17, May, 2016.

of 19 trials.[11] Patent verdicts in the Eastern District of Texas have had almost a 50% chance of being overturned on appeal. Brian J. Love and James Yoon, *Predictably Expensive: A Critical Look at Patent Litigation in the Eastern District of Texas*, 20 Stan. Tech. L. Rev. 1, 20 (2017). Tellingly, more than eighty-one per cent of the patent cases settled in less than a year, compared to a national settlement average (excluding the Eastern District) of 63.1%. *Id.* at 14. These rapid settlements reflect both the pressures on defendants exerted by that court's practices and the lack of intention of many of the litigants to litigate, rather than simply extract nuisance settlements.

Because of Jurisdictional Differences and Loose Venue Rules, Patent Plaintiffs Select a Jurisdiction for Suit Based Upon Extra-Legal Strategies.

Selection of a particular court or judge can give a plaintiff advantages in a patent case not based on either the law or the facts, so that there is an incentive for plaintiffs to institute suit in a court identifiable as most advantageous. Because of the characteristics of the Eastern District of Texas, as stated above, the vast majority of patent cases brought by NPE plaintiffs are brought there.

The outsized presence of the Eastern District in the world of patent litigation—and the role of NPEs in that world—is demonstrated by recent data on patent

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11. http://mcsmith.blogs.com/eastern_district_of_texas/2016/12/2016-edtx-patent-verdicts-review-43-marshalltyler-win-rate-52-overall-competitor-cases-increase.html.

lawsuits.[12] In data Unified has compiled, in 2015, a total of 5,911 patent lawsuits were filed in all districts of the United States. Of those lawsuits, 2,561, or 43%, were filed in the Eastern District of Texas.

This figure should be understood in terms of who filed those lawsuits. Of the 5,911 lawsuits filed in the entire country, about 65% were filed by NPEs. And of the 65% of all patent lawsuits filed by NPEs, 62% were filed in the Eastern District of Texas. Of the remaining 35% of the patent lawsuits filed by operating companies, only *seven* percent were filed in the Eastern District of Texas.

Thus, NPEs were almost *nine times* more likely to file a patent lawsuit in the Eastern District of Texas than in any of the other 93 districts. While there are multiple ways to measure activity, all data sources we are aware of, regardless of source, demonstrate an extreme imbalance between the Eastern District of Texas. Clearly, NPE plaintiffs see an advantage in filing their patent lawsuits in the Eastern District of Texas, and freely do so, voting with their feet. Indeed, one academic study concluded that only 14% of the patent lawsuits filed in 2015 were filed where defendants were incorporated or have established places of business—i.e., as specified in the statute in question.[13]

The Federal Trade Commission (FTC) has weighed in as well. Subdividing the NPEs by type, into "portfolio PAEs" and "Litigation PAEs" yields further insight.

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12. Data provided by Robert Jain, Unified Patents Inc.; *see also UnifiedPatents.com*.

13. Colleen V. Chien & Michael Risch, *Recalibrating Patent Venue*, Santa Clara Univ. Legal Studies Research Paper No. 10-1 (Sept. 1, 2016), Table 3, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2834130.

Portfolio PAEs are defined as NPEs that negotiate licenses covering large portfolios, often containing hundreds or thousands of patents, frequently without first suing the alleged infringer; litigation PAEs are defined as NPEs that sue potential licensees and settle shortly afterward by entering into license agreements with defendants covering small portfolios or single patents.[14] By such subdivision, it can be seen that even within the NPE ecosystem, venue rules are manipulated.

The FTC study found that, when portfolio PAEs litigated their patents, they proceeded differently than did litigation PAEs. Portfolio PAEs tended to litigate only when their alleged infringers were reluctant to settle and, presumably, an impasse had been reached, but litigation PAEs tended to litigate first, primarily as a lever to induce settlement. The FTC found that litigation PAE cases tended to terminate much more quickly than Portfolio PAE cases—and litigation NPEs tended to settle for much less.[15] Indeed, while litigation PAEs settled 66% of their cases within 12 months, portfolio PAEs settled only 26% of their cases within the same period.[16] Although their desired goal is the same—a negotiated license—portfolio PAEs seem to wield litigation as a last-resort cudgel related to the value of their assets, rather than as bare leverage value, to reach this goal. In a sense, portfolio PAEs are the real litigators, and litigation PAEs would

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14. Federal Trade Commission, *Patent Assertion Entity Activity: An FTC Study*, Oct. 2016, *available at* https://www.ftc.gov/reports/patent-assertion-entity-activity-ftc-study. We note the FTC uses the phrase Patent Assertion Entity (PAE) in lieu of Non-Practicing Entity (NPE).

15. FTC, *id.* at 72.

16. *Id.* at 73.

rather not go to trial, thus gaming the imbalance to reap financial gains unrelated to the value of their patent. This difference in approach may be reflected in the choices of venues made by litigation and portfolio PAEs: portfolio PAEs, who would rather negotiate seriously than file wide-ranging litigations against dozens of defendants, tended to sue in the district of Delaware (44% of their cases), while litigation PAEs, who rationally would be expected to sue where they have the highest chance of quick settlement or costly trial, tended to sue in the Eastern District of Texas (54% of their cases).[17] It is possible that portfolio PAEs choose to sue in Delaware because that state's corporate laws are more favorable to the formation of the licensing contracts they want.[18]

The Success of Forum Shopping Leads to Questions About the Fairness of the Courts.

The abuse of the venue requirements in patent law has also caught the public's attention and led to questions about the fairness of the courts in general. For example, the *New York Times* recently published another article about Marshall, Texas, called *So Small a Town, So Many Patent Suits.*[19] The *Times* observed that

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17. *Id.* at 81.

18. This issue is complicated by this Court's decision in *Alice Corp. v. CLS Bank International*, 134 S. Ct. 2347 (2014), and the Delaware Court's apparent willingness to invalidate patents under *Alice* grounds. *See Delaware Patent Suits Dwindle As Plaintiffs Flock To EDTX*, Law360, February 10, 2016, https://www.law360.com/articles/756753/delaware-patent-suits-dwindle-as-plaintiffs-flock-to-edtx

19. *New York Times*, Sept. 24, 2006, http://www.nytimes.com/2006/09/24/business/24ward.html

> SPEED is not the only feature bringing patent holders to Marshall. So, too, is the fact that they usually win. Three-fourths of the cases that come to trial in Marshall are decided in favor of the plaintiffs, compared with less than half in New York.
>
> Others point to a different reason why plaintiffs may win more often than defendants: plaintiffs, they say, typically hire local Marshall lawyers. Hiring local in Marshall means that you will get a lawyer who not only knows the jurors, but who also probably knows their friends and even personal details like how often they go to church, local lawyers say.

The BBC News similarly observed that

> the speedy system (and speedy is relative) for dealing with patent cases . . . has made this small town's court famous or feared, depending on whether you're a plaintiff or a defendant.[20]

Similarly, the PBS NewsHour stated that:

They try cases quicker [in Marshall] than other places, and that's because of a few administrative rules that they put in place. And they rule in favor of NPEs more than anywhere else.[21]

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20. *The sleepy town kept busy with $2m-a-day patent cases*, BBC News, Aug. 20 2013 http://www.bbc.com/news/technology-23753311

21. *U.S. innovators dogged by money-grubbing 'patent trolls'* PBS NewsHour, May 26, 2016 at 6:25 PM EST http://www.pbs.org/

These are not isolated examples, nor are they untainted by intimations of favoritism.[22] Indeed, it appears that the Eastern District of Texas is slowly entering the public's imagination as an anomaly of imbalance. The health of the legal system is dependent upon public faith in its fairness, and abuse of the venue statute in patent cases attenuates that faith. For that important reason of public policy alone, this Court should decide that 28 U.S.C. § 1400(b) is the sole and exclusive provision governing venue in patent infringement actions.

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newshour/bb/u-s-innovators-dogged-by-money-grubbing-patent-trolls/

22. *Buying TiVo's bull in E.D. Texas,* The Prior Art, June 25, 2009 (TiVo purchased the Grand Champion Steer at Farm City Week in Marshall, Texas; the following week it won a large infringement verdict), available at http://thepriorart.typepad.com/the_prior_art/2009/06/buying-tivos-bull-in-ed-tex.html; *How A Texas Dog Park Became A New Front In America's Patent Wars*, Giaom, Oct 14, 2011 (California plaintiff's lawyer opened dog park in Longview, Texas), *available at* https://gigaom.com/2011/10/14/419-how-a-texas-dog-park-became-a-new-front-in-americas-patent-wars/

CONCLUSION

For the reasons given above, *amicus* respectfully submits that this Court should reaffirm its decision in *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222 (1957), *viz.*, that 28 U.S.C. § 1400(b) is the sole and exclusive provision governing venue in patent infringement actions and is not to be supplemented by 28 U.S.C. § 1391(c). The underlying Decision should be reversed.

Respectfully submitted,

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RECORD AND BRIEFS

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IN THE

Supreme Court of the United States

TC HEARTLAND LLC,
d/b/a HEARTLAND FOOD PRODUCTS GROUP,

Petitioner,

v.

KRAFT FOODS GROUP BRANDS LLC,

Respondent.

On Writ of Certiorari to the U.S. Court of Appeals for the Federal Circuit

BRIEF OF WASHINGTON LEGAL FOUNDATION AS *AMICUS CURIAE* IN SUPPORT OF PETITIONER

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QUESTION PRESENTED

The patent venue statute, 28 U.S.C. § 1400(b), provides that patent infringement actions "may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business." The statute governing "[v]enue generally," 28 U.S.C. § 1391, has long contained a subsection (c) that, where applicable, deems a corporate entity to reside in multiple judicial districts—including districts in which the defendant lacks "a regular and established place of business."

Respondent filed a patent-infringement suit against Petitioner in the U.S. District Court for the District of Delaware, alleging that Petitioner committed infringing acts throughout the United States, that venue was proper, and that the district court possessed personal jurisdiction over Petitioner with respect to all such acts. It is uncontested that Petitioner is not incorporated in Delaware, nor does it maintain a regular and established place of business within the State. Petitioner challenges the lower courts' determination that venue is proper in Delaware.

The question in this case is precisely the same as the issued decided in *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222 (1957):

Whether 28 U.S.C. § 1400(b) is the sole and exclusive provision governing venue in patent-infringement actions and is not to be supplemented by 28 U.S.C. § 1391(c).

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INTERESTS OF *AMICUS CURIAE*

Washington Legal Foundation (WLF) is a non-profit public interest law firm and policy center with supporters in all 50 states.[1] WLF devotes a substantial portion of its resources to defending free enterprise, individual rights, a limited and accountable government, and the rule of law.

To that end, WLF has regularly appeared before this Court and other federal courts in cases raising important patent-law issues. *See, e.g., SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC*, No. 15-927, *cert. granted*, 136 S. Ct. 1824 (2016); *Kimble v. Marvel Entertainment, LLC*, 135 S. Ct. 2401 (2015). WLF has also frequently appeared in federal and state courts in cases implicating constitutional limitations on the courts' authority to exercise personal jurisdiction over an out-of-state defendant. *See, e.g., Goodyear Dunlop Tires Operations, S.A. v. Brown*, 564 U.S. 915 (2011); *Bristol-Myers Squibb Co. v. Superior Court*, 1 Cal. 5th 783 (2016), *cert. granted*, ___ S. Ct. ___, 2017 WL 215687 (Jan. 13. 2017).

WLF fully supports Petitioner's request that the Court overturn the Federal Circuit's decision, which construes federal venue statutes so broadly that many nationwide businesses are subject to suit in virtually

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[1] Pursuant to Supreme Court Rule 37.6, WLF states that no counsel for a party authored this brief in whole or in part; and that no person or entity, other than WLF and its counsel, made a monetary contribution intended to fund the preparation or submission of this brief. More than 10 days prior to the due date, counsel for WLF provided counsel for Respondent with notice of its intent to file. All parties have consented to the filing; letters of consent have been lodged with the Court.

any federal district court. WLF is writing separately to focus on the due process issues implicated by that decision. WLF believes that subjecting a patent-infringement defendant to personal jurisdiction in a district located in a State in which it is not incorporated and does not maintain a regular and established place of business raises serious due process concerns, particularly with respect to allegedly infringing activity that lacks any relationship to the forum State.

WLF is concerned that unless courts apply the doctrine of constitutional avoidance to interpret federal venue statutes in the manner urged by Petitioner, the constitutionality of those statutes will be called into serious question as applied to out-of-state defendants. WLF is also concerned that the Federal Circuit, by disregarding this Court's longstanding recognition of strict statutory limits on venue in patent cases, has encouraged rampant forum shopping.

STATEMENT OF THE CASE

Petitioner TC Heartland, LLC ("Heartland") is a limited liability company organized under Indiana law with its principal place of business in that State. It is not registered to do business in Delaware, nor does it maintain a regular or established place of business in that State. Heartland manufactures and sells liquid water enhancer ("LWE") products. None of its customers are located in Delaware; however, two of its customers have directed Heartland to ship LWE products to facilities in Delaware. Those shipments account for about 2% of Heartland's total sales of LWE products.

Respondent Kraft Foods Group Brands LLC ("Kraft") filed suit against Heartland in U.S. District Court for the District of Delaware, alleging that all of Heartland's nationwide sales of LWE products infringe three patents held by Kraft. Heartland filed a motion seeking: (1) to dismiss the complaint for lack of personal jurisdiction; or (2) to transfer venue to the Southern District of Indiana. Heartland argued, *inter alia*, that the District of Delaware is not the judicial district where it "resides" within the meaning of 28 U.S.C. § 1400(b).

In his August 2015 Report and Recommendation, the magistrate judge recommended that the motion be denied. Pet. App. 18a-54a. He concluded that the Delaware court's exercise of personal jurisdiction over Heartland with respect to the 2% of LWE products shipped to Delaware was fair and reasonable—and thus consistent with due process constraints—because Heartland had "deliver[ed] its products into the stream of commerce with the expectation that they [would] be purchased by consumers in the forum State." *Id.* at 25a (quoting *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 297 (1980)).

The magistrate judge also concluded that the district court could properly exercise personal jurisdiction with respect to infringement claims arising from the 98% of Heartland's LWE product sales that bore no relationship to Delaware. *Id.* at 28a-33a. Relying on the Federal Circuit's decision in *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558 (Fed. Cir. 1994), he concluded that Heartland's occasional shipments into Delaware sufficed to satisfy

due process requirements with respect to exercise of personal jurisdiction over Heartland for allegedly infringing sales that lacked any connection to Delaware. *Ibid.*

The magistrate judge also recommended rejecting Heartland's claim that federal law limits venue to either: (1) the Southern District of Indiana; or (2) any district "where the defendant has committed acts of infringement and has a regular and established place of business." Pet. App. 34a-40a (quoting 28 U.S.C. § 1400(b)). Citing *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1974), he concluded that venue was proper in Delaware because Heartland should be deemed a resident of Delaware for purposes of federal venue statutes. *Ibid.* He based that conclusion on: (1) 28 U.S.C. § 1391(c)'s statement that a corporate defendant should be "deemed to reside . . . in any judicial district in which [i]t is subject to the court's personal jurisdiction with respect to the civil action in question"; and (2) his previous conclusion that Heartland was subject to personal jurisdiction in Delaware with respect to non-Delaware infringing sales. *Ibid.*

In September 2015, the district court adopted the magistrate judge's report "in all respects." Pet. App. 13a-17a. It concluded that the Federal Circuit's *VE Holding* decision—not this Court's decision in *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222 (1957)—controlled with respect to the scope of venue in patent-infringement litigation. *Id.* at 16a.

Heartland then timely petitioned the Federal Circuit for a writ of mandamus under 28 U.S.C. § 1651,

which authorizes appellate courts to review whether a district court has wrongly refused to dismiss or transfer a case where venue is improper. *See Hoffman v. Blaski*, 363 U.S. 335, 336-44 (1960). Following oral argument before a three-judge panel, the appeals court denied the petition. Pet. App. 1a-12a. It declined to follow *Fourco*, explaining that *Fourco*'s narrow interpretation of where a corporation "resides" for purposes of the patent venue statute, 28 U.S.C. § 1400(b), was superseded by a 1988 law. *Id.* at 6a. While *Fourco* held that § 1400(b) did not incorporate 28 U.S.C. § 1391(c)'s broad understanding of where a corporation is deemed to reside for purposes of the general venue statute, the appeals court concluded that 1988 amendments to § 1391(c) for the first time "made the definition of corporate residence applicable to patent cases." *Ibid.*

The appeals court also rejected Heartland's personal jurisdiction arguments, which it concluded "were foreclosed by our decision in *Beverly Hills Fan*." *Id.* at 7a. It concluded that invoking the Delaware long-arm statute to exercise personal jurisdiction over Heartland with respect to all allegedly infringing activity, even the 98% of such activity that bore no relationship to Delaware, was consistent with constraints imposed on courts by the Due Process Clause. *Id.* at 7a-8a.

SUMMARY OF ARGUMENT

The patent venue statute provides a patentee a choice of multiple forums within which to sue alleged infringers of its patent. The patentee may sue the alleged infringer "in the judicial district where the

defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business." 28 U.S.C. § 1400(b).

But Kraft is not satisfied with that range of choices. Ignoring statutory language indicating that an alleged infringer "resides" in one and only one district (*e.g.*, § 1400(b)'s reference to "the" judicial district where the defendant resides), Kraft argues (and the appeals court agreed) that an alleged infringer "resides" in any district within which it is subject to the district court's personal jurisdiction over *any portion* of its infringing activity. Under that broad definition of "resides," a firm that conducts business on a nationwide basis is generally subject to a nationwide patent-infringement lawsuit *in any of the 50 States*—including States in which it has no regular and established place of business. The Federal Circuit's expansive definition of "resides" cannot be squared with *Fourco* and has led to rampant forum shopping.

The appeals court's ruling also raises serious constitutional concerns. The ruling interprets federal law as permitting out-of-state defendants to be haled into courts in jurisdictions with which they lack the requisite "minimum contacts," to answer patent-infringement claims. When, as here, a plaintiff relies on state law to assert personal jurisdiction, the Due Process Clause bars the exercise of jurisdiction over nonconsenting, out-of-state defendants unless the suit is brought to enforce "obligations [that] arise out of or are connected with the [defendant's] activities within the state." *International Shoe Co. v. Washington*, 326 U.S. 310, 319 (1945). Yet, 98% of the infringement claims that Kraft seeks to adjudicate in a Delaware

court have absolutely no connection with the State.

It is a "cardinal principle of statutory interpretation" that "when an Act of Congress raises a serious doubt as to its constitutionality, this Court will first ascertain whether a construction of the statute is fairly possible by which the question may be avoided." *Zadvydas v. Davis*, 533 U.S. 678, 689 (2001). By interpreting § 1400(b)'s phrase "the judicial district where the defendant resides" as referring solely to the alleged infringer's place of incorporation, the courts could avoid the due process concerns described above. Moreover, that construction is "fairly possible," given that this Court adopted that construction of § 1400(b) in *Fourco*. The doctrine of constitutional avoidance provides an additional reason for adopting Heartland's construction of federal venue statutes.

ARGUMENT

I. THE FEDERAL CIRCUIT ERRED IN FAILING TO ADHERE TO *FOURCO*'S AND *STONITE*'S CONSTRUCTION OF 28 U.S.C. § 1400(b), WHICH CONGRESS HAS NOT AMENDED

The Federal Circuit concedes that, at least until 1988, federal law limited venue in patent-infringement litigation against a corporate defendant to federal districts in which: (1) the defendant is incorporated; or (2) the corporation has committed infringing acts *and* has a regular and established place of business. This Court so held in 1957 in *Fourco*, based on its

construction of 28 U.S.C. § 1400(b).[2] Congress adopted § 1400(b) in 1948; the statute has remained unchanged ever since. *Fourco* held that, with respect to a corporation, the phrase "where the defendant resides" means "the state of incorporation only." 353 U.S. at 226.

Fourco rejected the patentee's argument that venue in patent-infringement actions should be understood "to be supplemented by the provisions of 28 U.S.C. § 1391(c)," the general venue statute. Both the 1950s version and the current version of § 1391(c) deem a corporation to reside in a large number of judicial districts for purposes of the general venue statute.[3] *Fourco* concluded that Congress intended

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[2] Section 1400(b) states:

> Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.

[3] In 1952, the general venue statute stated, with respect to corporations:

> **§ 1391. Venue generally.**
>
> * * *
>
> (c) A corporation may be sued in any judicial district in which it is incorporated or licensed to do business or is doing business, and such judicial district shall be regarded as the residence of such corporation for venue purposes.

28 U.S.C. § 1391(c) (1952). Congress amended Section § 1391(c) slightly in 1988 and again in 2011. The principal difference

that § 1391(c) should not apply to patent matters and that "§ 1400(b) is the sole and exclusive provision controlling venue in patent infringement actions." *Fourco*, 353 U.S. at 229.

The Federal Circuit concluded, however, that Congress radically changed the meaning of § 1400(b) when it amended the language of § 1391(c) in 1988, as described in Footnote 3. In a 1990 decision, the appeals court held that although Congress made no changes in the wording of § 1400(b) in 1988, Congress's amendment to § 1391(c) accomplished what *Fourco* held that the earlier version of § 1391(c) had not accomplished: the incorporation of the general venue statute's capacious residency language (which provides that corporate defendants are deemed to reside in certain judicial districts) into § 1400(b)'s provision permitting patent-infringement venue "in the judicial district where the defendant resides." *VE Holding*

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between the initial sentences of the 1952 and 1988 versions was that the phrase "for venue purposes" was moved from the end of the sentence to the beginning. As amended in 1988, the sentence stated:

> For purposes of venue under this chapter, a defendant that is a corporation shall be deemed to reside in any judicial district in which it is subject to personal jurisdiction at the time the action is commenced.

28 U.S.C. § 1391(c) (1988). The 1948, 1988, and 2011 versions of the general venue statute all broadly authorize venue in any district in which a corporation is doing business, at least with respect to business that is related to the litigation (and thus that can subject the corporation to personal jurisdiction within the district).

Corp. v. Johnson Gas Appliance Co., 917 F.2d 1574 (Fed. Cir. 1990). In its decision below, the Federal Circuit reaffirmed *VE Holding* and rejected Heartland's argument that a 2011 amendment to § 1391(c) eliminated any plausible basis for the appeals court's interpretation of § 1400(b). Pet. App. 4a-8a.

Heartland's brief explains in detail why *VE Holding* and the decision below directly conflict both with *Fourco* and with earlier Supreme Court decisions that narrowly interpreted federal statutes governing venue in patent-infringement litigation. *See, e.g.*, Pet. Br. 21-26 (discussing *Stonite Prods. Co. v. Melvyn Lloyd Co.*, 315 U.S. 561 (1942)). WLF will not repeat those arguments here. It suffices to say that WLF fully agrees with Heartland's contentions that *Fourco* remains good law and that the Federal Circuit's refusal to abide by *Fourco*'s construction of § 1400(b) cannot be justified by subsequently adopted legislation that did not change a single word in § 1400(b). WLF does, however, wish to focus attention on several points that merit special emphasis.

A. The 1988 Amendments Must Be Considered Within the Context of a Century of Special Rules Governing Patent Venue

Congress adopted a patent venue statute—the predecessor of 28 U.S.C. § 1400(b)—as part of the Act of March 3, 1897, 29 Stat. 695. That statute, § 48 of the Judicial Code, stated that venue for patent-infringement actions existed "in the district of which the defendant is an inhabitant, or in any district in

which the defendant, whether a person, partnership, or corporation, shall have committed acts of infringement and have a regular and established place of business." The Court stated in *Stonite* that Congress adopted § 48 in order to "limit th[e] jurisdiction" of federal district courts over patent-infringement actions. 315 U.S. at 565 n.5. *Stonite* explained that Congress was responding to "abuses engendered by extensive venue" authorized by previous statutes governing federal courts; those statutes had permitted actions (including patent-infringement actions) to be maintained "wherever the defendant could be found." *Id.* at 563.

Congress had adopted a statute in 1887 that sought to impose general limits on venue, but courts responded by expressing uncertainty regarding whether those limitations applied to patent-infringement suits. *Id.* at 564. Congress's purpose in adopting § 48, whose sole subject was venue in patent litigation, was to "eliminate [that] uncertainty" by "defin[ing] the exact jurisdiction of the federal courts in actions to enforce patent rights." *Id.* at 565. The Court concluded, "That purpose indicates that Congress did not intend the Act of 1897 to dovetail with the general provisions relating to the venue in civil suits, but rather that it alone should control venue in patent infringement proceedings." *Id.* at 565-66.

Relying heavily on the legislative history set forth in *Stonite*, the Court in *Fourco* concluded that Congress—when it replaced § 48 with the similarly worded 28 U.S.C. § 1400(b)—once again intended that venue in patent-infringement actions should be governed solely by the patent-specific venue provision,

without reference to the general venue statute (28 U.S.C. § 1391(c)), which "regarded" corporate defendants as residing in a greater number of judicial districts. Given the century-long history of federal legislation that treated 28 U.S.C. § 1400(b) (and its predecessor, § 48 of the Judicial Code) as "the sole and exclusive provision controlling venue in patent infringement actions," *Fourco*, 353 U.S. at 229, there is no basis for concluding that Congress intended to reverse that history when, in 1988, it amended § 1391(c) slightly while leaving § 1400(b) unchanged.

B. *Fourco* Expressly Rejected the Rationale Adopted Here by the Federal Circuit

The Federal Circuit's rationale for incorporating § 1391(c) into § 1400(b) is *the very same rationale* rejected by this Court in *Fourco*. The Federal Circuit concluded that Congress, by including in the 1988 version of § 1391(c) language stating that "for purposes of venue under this chapter" a corporate defendant "shall be deemed to reside" in a large number of judicial districts, intended to incorporate that deeming provision into § 1400(b)'s grant of venue "in the judicial district where the defendant resides." Pet. App. 6a. But *Fourco* held that § 1400(b) (which has remained unchanged since 1948) did *not* incorporate § 1391(c)'s residency language, despite the fact that the 1957 version of § 1391(c) stated that that language applied "for venue purposes." Given, as *Fourco* held, that Congress's 1948 adoption of expansive venue rules in § 1391(c) did not expand the meaning of "resides" as used in § 1400(b), there is no reason to conclude that

it intended to expand that meaning in 1988 when it revised § 1391(c) slightly and simply maintained the general venue statute's capacious understanding regarding when a corporate defendant should be "deemed" to reside in a judicial district.

The Federal Circuit asserted that the pre-1988 version of § 1391(c) did not explain "residence" with any clarity, characterizing the second clause of that subsection as either "surplusage" or "at best confusing." *VE Holding*, 917 F.2d at 1578. That assertion misread the pre-1988 version of § 1391(c), which could not have been clearer in stating that "the residence of [a corporate defendant] for venue purposes" shall be regarded as including "any judicial district in which it is incorporated or licensed to do business or is doing business." 28 U.S.C. § 1391(c) (1952). The clarity of § 1391(c) was not at issue in *Fourco*. This Court concluded that § 1391(c)'s corporate-residence provision did not apply to § 1400(b)—not because of any lack of clarity but rather in light of the lengthy congressional history of applying special venue rules to patent-infringement actions:

> We think it clear that § 1391(c) is a general corporation venue statute, whereas § 1400(b) is a special venue statute applicable, specifically, to all defendants in a particular type of actions, *i.e.*, patent infringement actions. In these circumstances the law is settled that "*However inclusive may be the general language of the statute*, it will not be held to apply to a matter specifically dealt

> with in another part of the same enactment. * * * Specific terms prevail over the general in the same or another statute which otherwise might be controlling."

Fourco, 353 U.S. at 228-29 (emphasis added) (citations omitted).

C. While Congress Is Empowered to "Overrule" *Fourco*, There Is No Evidence that It Has Done so

Kraft points to inclusion of the words "in this chapter" in the 1988 version of § 1391(c) as evidence that Congress intended to expand § 1400(b)'s definition of where a corporate defendant "resides" for venue purposes in a patent-infringement action. Opp. Cert. 15-17. But Kraft's argument fails to address the overriding theme of both *Stonite* and *Fourco*: that Congress for more than a century has provided special venue rules for patent-infringement actions that are distinct from its generally applicable venue rules. The phrase "in this chapter" appears in a statutory provision entitled "Venue generally," and thus the 1988 addition of that phrase to § 1391(c) does not suggest that Congress intended thereby to eliminate the distinctive nature of the special venue rules governing patent-infringement actions.[4]

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[4] Kraft's reliance on the phrase "in this chapter" is particularly unpersuasive in light of Congress's omission of that phrase from the 2011 version of § 1391(c).

Since its codification in 1948, § 1400(b) has authorized the filing of patent-infringement suits, *inter alia*, "in the judicial district where the defendant resides." *Fourco* held that, with respect to a corporate defendant, the quoted phrase refers only to "the state of incorporation." 353 U.S. at 226.[5] Congress is, of course, empowered to "overrule" *Fourco* by amending that definition. But if Congress had really intended to alter the definition of "resides" and thereby substantially expand the scope of venue under § 1400(b), one would reasonably expect Congress to have done so directly—by amending the language of § 1400(b). It is not plausible that Congress intended a minor and largely stylistic amendment to its general venue statute to effect a wholesale change in its special venue statute governing patent-infringement actions—a change that would largely eliminate the historic distinction between those two sets of venue rules. *See Whitman v. American Trucking Assocs.*, 531 U.S. 457, 468 (2001) ("Congress, we have held, does not alter the fundamental details of a regulatory scheme in vague terms or ancillary provisions.").

Kraft contends that, by amending § 1391(c) in 1988, Congress defined the "residence" of a corporation—both for general venue purposes and for purposes of venue in a patent-infringement action—as

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[5] The Federal Circuit asserted that § 1400(b) fails to provide a clear definition of the word "reside" and thus there is "no statutory law" governing corporate residence for venue purposes in patent-infringement actions. Pet. App. 5a. That assertion is incorrect and has been incorrect since at least 1957, when *Fourco* provided an authoritative construction of that statutory term.

"any district in which [the corporation is] amenable to personal jurisdiction." Opp. Cert. 2. But if that had been Congress's intent, there would have been little or no reason for Congress to retain § 1400(b) at all. The most logical method of achieving what Kraft contends was Congress's purpose would have been simply to repeal § 1400(b), thereby making patent-infringement actions subject to § 1391's general venue provisions. While § 1400(b) still retains some very minor significance under Kraft's interpretation of § 1391(c), it is rendered irrelevant for the vast majority of patent-infringement defendants that are organized as corporations. For all but a very tiny number of defendants (*e.g.*, some individual defendants), under Kraft's interpretation there is nothing "special" about the special patent venue provision governing patent-infringement litigation; venue will be proper in precisely the same judicial districts without regard to whether venue is governed by § 1400(b) or by § 1391's general venue provisions.[6]

As this Court has long recognized, venue

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[6] There is an additional reason to conclude that any intended change in the meaning of § 1400(b) would have been expressed by amending the language of that statutory provision. Section 1400(b) uses the singular when referring to residency ("the judicial district where the defendant resides"), thereby indicating that a defendant is deemed to reside in one and only one district. *Fourco* confirmed that § 1400(b) defined residency as a singular place. If Congress had intended its 1988 amendments to redefine residency under § 1400(b) such that a corporation would be deemed to reside in any district in which it conducts business, it most likely would have amended § 1400(b)'s reference to residency to read, "*any* judicial district where the defendant resides ..."

provisions are designed to limit the number of otherwise-available forums to those that are most appropriate and convenient. *See, e.g., Brunette Machine Works, Ltd. v. Kockum Industries, Inc.*, 406 U.S. 706, 711 (1972) (stating that "the venue provisions are designed ... to allocate suits to the most appropriate or convenient forums."). As interpreted by *Fourco*, § 1400(b) accomplishes that purpose by allocating patent-infringement actions filed against corporate defendants (many of whom, if they sell products nationwide, are likely subject to the personal jurisdiction of numerous federal district courts) to either: (1) a corporation's State of incorporation; or (2) any district where the corporation has committed an act of infringement *and* has "a regular and established place of business." But by interpreting § 1400(b) as subjecting corporations to suit in any district in which due process would permit the district court to exercise personal jurisdiction, the Federal Circuit has eliminated this fundamental purpose of venue statutes. By leaving § 1400(b) on the books when it amended § 1391(c) in 1988, Congress signaled that it did not intend thereby to undermine its century-long commitment to ensuring that patent-infringement actions are filed in appropriate and convenient forums.

D. Affirming *Fourco* Will Not Deprive Plaintiffs of Adequate Forums Within Which to File Patent-Infringement Actions

Limiting venue in the manner requested by Heartland will not deprive patent-infringement plaintiffs of adequate forums within which to file their

claims. Indeed, those limitations were in effect from 1957 (when *Fourco* was decided) until 1990 (when the Federal Circuit issued *VE Holding* and thereby overturned the *Fourco* venue restrictions), yet there is no evidence that patent holders had difficulty during those decades in locating appropriate forums within which to file their claims.

At an absolute minimum, a corporation accused of infringement can always be sued in at least one place: its State of incorporation. Moreover, most large corporations maintain "a regular and established place of business" in more than one federal district. If those corporations have committed at least one infringing act in each of the districts in which they maintain a regular and established place of business, a patentee wishing to sue one of them will have multiple potential forums from which to choose.[7]

If some classes of patent holders believe that § 1400(b) (as interpreted by *Fourco*) limits their choice of forums in a manner that creates hardship, they should address their concerns to Congress, not the Courts.

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[7] Moreover, the Court has held that the § 1400(b) venue restrictions (as well as the general venue restrictions) are wholly inapplicable if the defendant is an alien. *Brunette*, 406 U.S. at 714. Accordingly, patent holders need not be concerned that they will be unable to locate an appropriate forum within which to sue a foreign corporation.

E. Congress Adopted 28 U.S.C. § 1400(b) and Its Predecessor to Curtail Abuses of the Very Sort Fomented by the Decision Below

Stonite concluded that Congress in 1897 adopted the predecessor to § 1400(b) because of its concern over "abuses engendered by" liberal venue statutes, which had allowed patent-infringement defendants to be haled into court "wherever the defendant could be found." 315 U.S. at 563-64. That abuse-prevention rationale counsels strongly against the Federal Circuit's massive expansion of venue in patent-infringement suits. Heartland has ably demonstrated that the Federal Circuit's liberal interpretation of venue rules, under which corporations that conduct business nationwide are subject to patent-infringement claims in all 50 States without regard to whether they have a regular and established place of business there, has fomented similar abuse.

That 44% of all patent-infringement cases are now being filed in a single district can only be explained by the belief among forum-shopping plaintiffs that the U.S. District Court for the Eastern District of Texas is particularly hospitable to patentees' claims. It certainly cannot be attributed to the convenience of that forum, which is home to no more than a handful of the firms that find themselves haled into court there. Such forum shopping is the very sort of "abuse" that, as *Stonite* recognized, Congress sought to guard against when it adopted legislation limiting venue in patent litigation.

II. THE FEDERAL CIRCUIT'S CONSTRUCTION OF 28 U.S.C. § 1400(b) RAISES SERIOUS DOUBTS REGARDING THE CONSTITUTIONALITY OF THE STATUTE AS APPLIED TO OUT-OF-STATE CORPORATIONS

The ruling below interprets federal law as permitting out-of-state defendants to be haled into federal court in districts in which they lack the "minimum contacts" that the Due Process Clause requires before a court may exercise personal jurisdiction over them. For example, the ruling below permits a Delaware court to exercise personal jurisdiction over claims that Heartland infringed three patents held by Kraft, even though 98% of those claims bear no relationship whatsoever to Delaware.

This extremely broad interpretation of a federal court's authority to exercise personal jurisdiction over out-of-state corporations operates hand-in-glove with the Federal Circuit's elimination of § 1400(b)'s venue restrictions. The Federal Circuit has justified its rejection of those restrictions in substantial part by its conclusion that lifting the restrictions would facilitate the consolidation of infringement claims nationwide, thereby reducing costs:

> Authorities have long argued that venue in patent infringement actions should be no different than in other civil cases:
>
> "With the enactment of liberalized general venue laws, the patent venue statute has long since outlived its original

> purpose. The continued existence of the patent venue statute serves only to prolong patent litigation and make it more expensive ...
> * * *
> "The best course would be for Congress simply to repeal the patent venue statute."

VE Holding, 917 F.2d at 1583 (quoting Wydick, *Venue in Actions for Patent Infringement*, 25 Stanford L. Rev. 551, 584-85 (1973)). Of course, as the Federal Circuit well understood, the efficiencies it sought to achieve could only be realized if, in addition to eliminating venue restrictions, federal district courts exercised jurisdiction over all of the defendant's allegedly infringing activity, even activity lacking a connection with the forum State. Not surprisingly, therefore, soon after its *VE Holdings* decision the Federal Circuit ruled in *Beverly Hills Fan* that a district court (employing a State's long-arm statute) may exercise personal jurisdiction over an infringer who does business in the forum State, to hear claims based on allegedly infringing activity that occurred throughout the United States. 21 F.3d at 1566-69 & n.21. The appeals court in this case relied on the combination of its decisions in *VE Holding* and *Beverly Hills Fan* as its rationale for denying Heartland's petition. Pet. App. 1a-12a.

The Federal Circuit's interpretation of § 1400(b), by authorizing suits against alleged patent infringers in forums lacking any connection with much of the alleged infringing activity, raises serious due process concerns. The doctrine of constitutional avoidance thus

provides an additional reason for adopting Heartland's construction of the federal venue statutes.

A. When, as Here, the Exercise of Personal Jurisdiction Is Grounded in State Law, the Due Process Clause Imposes Strict Limits on the Exercise of Such Jurisdiction

"Federal courts ordinarily follow state law in determining the bounds of their jurisdiction over persons." *Daimler AG v. Bauman*, 134 S. Ct. 746, 753 (2014) (citing Fed.R.Civ.P. 4(k)(1)(A)). That is certainly true in this case; Kraft has no plausible claim that the Delaware district court may assert personal jurisdiction over Heartland on the basis of *federal* law.[8]

Under Delaware's long-arm statute, Delaware state courts (and, accordingly, the U.S. District Court for the District of Delaware) may exercise personal jurisdiction on virtually any basis not inconsistent with

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[8] Federal law—which in appropriate circumstances may supplement state law in authorizing a federal court's exercise of personal jurisdiction, *see* Fed.R.Civ.P. 4(k)(2)—provides that "a patent infringement action [may be] commenced in a district where the defendant is not a resident but has a regular and established place of business" and that service of process may be made upon the defendant's "agent or agents conducting such business." 28 U.S.C. § 1694. But Kraft has never attempted to rely on that jurisdictional provision, nor could it—because Heartland does *not* have "a regular and established place of business" in Delaware.

the U.S. Constitution.[9] However, as this Court has repeatedly reminded, the Fourteenth Amendment's Due Process Clause imposes strict limits on the authority of a state court to exercise personal jurisdiction over out-of-state defendants. *See, e.g., J. McIntyre Machinery, Ltd. v. Nicastro*, 564 U.S. 873, 881 (2011) (plurality) ("[T]hose who live or operate primarily outside a State have a due process right not to be subjected to judgment in its courts as a general matter."). Those limitations serve both to protect litigants from inconvenient or distant litigation and to recognize limits on the sovereignty of each State with respect to affairs arising in other States. *World-Wide Volkswagen*, 444 U.S. at 293.

The Court has consistently held that a state court may not exercise personal jurisdiction over an out-of-state defendant simply because the defendant has engaged in continuous and systematic activities within the State. Rather, personal jurisdiction also requires a showing that the defendant's activities are sufficiently connected to the claim. *See, e.g., Daimler*, 134 S. Ct. at 757 ("a corporation's 'continuous activity of some sort within a state is not enough to support the demand that the corporation be amenable to suits unrelated to that activity'") (quoting *Int'l Shoe*, 326

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[9] Delaware's long-arm statute reaches quite broadly, authorizing state courts to exercise personal jurisdiction over any nonresident who, *inter alia*, "Transacts any business or performs any character of work or services in the State," "Contracts to supply services or things in this State," or "Causes tortious injury in the State by an act or omission in this State." 10 Del. C. § 3104(c).

U.S. at 318); *Shaffer v. Heitner*, 433 U.S. 186, 204 (1977) ("the central concern of the inquiry into personal jurisdiction" is "the relationship among the defendant, the forum, *and the litigation*") (emphasis added). As *Daimler* explained, personal jurisdiction may not be exercised over nonresident defendants based on claims "having nothing to do with anything that occurred or had its principal impact in" the forum State. *Daimler*, 134 S. Ct. at 762.

A defendant is generally required to answer any and all claims asserted in its "home" jurisdiction, even if the claim bears no relationship to the jurisdiction. The Court refers to an assertion of personal jurisdiction where the defendant is "at home" as an exercise of "general jurisdiction." *Goodyear*, 564 U.S. at 919. *Daimler* made plain, however, that an assertion of general jurisdiction over a corporation can be sustained in only two places: the State in which a corporation maintains its principal place of business and the State of incorporation. 134 S. Ct. at 760. In *Daimler*, the Court rejected the plaintiffs' request that it approve "the exercise of general jurisdiction in every State in which a corporation engages in a substantial, continuous, and systematic course of business," characterizing the plaintiffs' proposed formulation as "too grasping." *Id.* at 761.

It is undisputed that Heartland is not subject to general jurisdiction in Delaware. It is not incorporated in Delaware, nor does it maintain its principal place of business in the State. Thus, for the Delaware district court to properly exercise personal jurisdiction over Heartland with respect to each of the patent-

infringement claims asserted by Kraft, it must do so on the basis of "specific jurisdiction"—that is, a showing that each claim "arises out of or relates to the defendant's contacts with the forum." *Id.* at 754.

B. The District Court Lacks Specific Jurisdiction over the 98% of Kraft's Infringement Claims that Do Not Relate to Heartland's Contacts with Delaware

For a court to exercise personal jurisdiction consistent with due process, "the defendant's suit-related conduct must create a substantial connection with the forum State." *Walden v. Fiore*, 134 S. Ct. 1115, 1121 (2014). Kraft can demonstrate the requisite minimum contacts with respect to its claims that Heartland shipped infringing LWE products to Delaware. While those shipments were relatively small and amounted to less than 2% of Heartland's total sales of the products, the Delaware-shipment claims allege a "substantial connection" between Delaware and the alleged patent infringement. Those claims arguably are adequate to allege that Heartland "deliver[ed] its products into the stream of commerce with the expectation that they [would] be purchased by consumers in the forum State." *World-Wide Volkswagen*, 444 U.S. at 298.

But the complaint is not limited to claims based on allegedly infringing acts with a connection to Delaware. Kraft also alleges that Heartland infringed its patents by manufacturing LWE products in Indiana and selling them in States other than Delaware. Those

claims—which encompass more than 98% of Heartland's allegedly infringing sales—bear absolutely no relationship to Delaware. Accordingly, specific jurisdiction cannot serve as a justification for the district court's exercise of personal jurisdiction over those claims. It is true that Heartland has some contacts with Delaware—not only its small shipments of LWE products to Delaware at the request of customers not located in Delaware but also shipments to Delaware of other, non-infringing products of various kinds. But those contacts cannot justify an expansive exercise of specific jurisdiction because they bear no relationship to the claims at issue: the claims that Heartland infringed the patent by manufacturing LWE products and selling them in other States.

Patent law has long understood that each alleged infringement of a patent gives rise to a separate cause of action. *See, e.g., Hazelquist v. Guchi Moochie Tackle Co.*, 437 F.3d 1178, 1180 (Fed. Cir. 2006); *E.I. du Pont de Nemours & Co. v. MacDermid Printing Sols., L.L.C.*, 525 F.3d 1353, 1362 (Fed. Cir. 2008). While a claim that a defendant sold an infringing product in California may raise one or more issues of fact that are common to issues of fact raised by a claim that the defendant also sold an infringing product in Delaware, they remain separate causes of action for which the plaintiff will need to submit separate evidence. Specific jurisdiction is limited to claims for which the defendant's forum contacts "gave rise to the liabilities sued on." *Daimler*, 134 S. Ct. at 754. Because Heartland's contacts with Delaware quite clearly did not "g[i]ve rise to" claims alleging that Heartland manufactured and sold infringing products

outside of Delaware, specific jurisdiction cannot justify the district court's exercise of jurisdiction over those out-of-state claims.

In holding that Heartland's small number of LWE shipments to Delaware sufficed establish personal jurisdiction over Heartland with respect to infringement claims arising in the other 49 States and lacking any connection with Delaware, the Federal Circuit relied on its 1994 *Beverly Hills Fan* decision. Pet. App. 10a. But that decision is a relic of the pre-*Daimler* era, in which many federal courts of appeals permitted large corporations to be sued in any State in which they maintained a substantial presence.

Beverly Hills Fan concluded that nationwide jurisdiction over patent-infringement claims (in any district in which alleged infringement occurred) was warranted because it would "provid[e] a forum for efficiently litigating plaintiff's cause of action." 21 F.3d at 1568. But this Court has never permitted efficiency considerations to trump due process constraints on the exercise of personal jurisdiction. Those constraints impose firm limits on the authority of courts to exercise jurisdiction over claims and defendants that lack a sufficient connection to the forum:

> Even if the defendant would suffer minimal or no inconvenience from being forced to litigate before the tribunals of another State; even if the forum State has a strong interest in applying its laws to the controversy; even if the forum State is the most convenient location for

> litigation, the Due Process Clause, acting as an instrument of interstate federalism, may sometimes act to divest the State of its power to render a valid judgment.

World-Wide Volkswagen, 444 U.S. at 294.

Moreover, the Federal Circuit's rationale overlooks that there will always be some jurisdiction—perhaps multiple jurisdictions—in which a patentee can sue an alleged infringer for all infringing activity without regard to where it occurred. *Daimler* makes clear that a defendant will be subject to general jurisdiction in both its State of incorporation and the State in which it maintains its principal place of business. Moreover, Congress has established personal jurisdiction—for patent-infringement claims arising anywhere in the United States—in any district in which the defendant "is not a resident but has a regular and established place of business." 28 U.S.C. § 1694.

Thus, Kraft could have asserted its nationwide patent-infringement claims against Heartland not only in the Southern District of Indiana but also in any jurisdiction in which it could establish that Heartland maintains "a regular and established place of business." But because it is undisputed that Heartland does *not* maintain a regular and established place of business in Delaware, the district court lacks specific jurisdiction over any of Kraft's infringement claims other than the claims arising from the 2% of Heartland's LWE products that were shipped into Delaware.

C. The Doctrine of Constitutional Avoidance Requires that 28 U.S.C. § 1400(b)'s Reference to Corporate Residence Be Interpreted Narrowly

It is a "cardinal principle of statutory interpretation" that "when an Act of Congress raises a serious doubt as to its constitutionality, this Court will first ascertain whether a construction of the statute is fairly possible by which the question may be avoided." *Zadvydas v. Davis*, 533 U.S. 678, 689 (2001). That doctrine provides that "where a statute is susceptible of two constructions, by one of which grave and doubtful constitutional questions arise and by the other of which such questions are avoided," a court's "duty is to adopt the latter." *Jones v. United States*, 526 U.S. 227, 239 (1999).

As demonstrated above, the Federal Circuit's approach to venue and personal jurisdiction issues in patent-infringement litigation raises serious constitutional concerns. It construes the § 1400(b) special venue provision as permitting corporations that sell products nationwide to be subjected to patent-infringement suits in all 50 States because they are deemed to "reside" in any State to which they ship infringing products. As construed by the Federal Circuit, the statute authorizes violation of a defendant's due process rights whenever it is applied to sanction the exercise of personal jurisdiction by a district court over an out-of-state corporation that lacks a regular and established place of business within the

district.[10] These serious constitutional concerns provide an additional reason to construe § 1400(b) narrowly. By determining that the construction of § 1400(b) urged by Heartland is "fairly possible," the Court can avoid being forced to address the serious due process concerns raised by the Federal Circuit's approach to venue and personal jurisdiction issues.

Moreover, Heartland's brief amply demonstrates that its experience is not unique. The Federal Circuit's holding regarding where a corporation "resides" for purposes of § 1400(b) has led to hundreds of corporations being haled into federal district courts to answer patent-infringement claims over which those courts lack personal jurisdiction.

This widespread violation of due process rights has been most pronounced in the Eastern District of Texas, where 44% of all patent-infringement lawsuits were filed in 2015.[11] Many corporations that sell their

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[10] Of course, the constitutional concern could be eliminated if the Federal Circuit combined its expansive view of patent-infringement venue with strict adherence to *Daimler*'s due process limitations on the exercise of personal jurisdiction over the non-forum activities of out-of-state corporations. But as the decision below demonstrates, the Federal Circuit has rejected that approach. Indeed, the Federal Circuit's *VE Holding* decision makes clear that the court adopted its interpretation of § 1400(b) in substantial part because of its belief that doing so while simultaneously adopting *Beverly Hills Fan*'s relaxed personal jurisdiction rules would lead to more efficient litigation.

[11] Of the 5,830 patent-infringement lawsuits filed in federal district courts in 2015, 2,540 (43.6%) were filed in the Eastern District of Texas. Brian Howard, *Lex Machina 2015 End-*

products nationwide do not maintain a regular and established place of business in the district—hardly a surprising fact given the district's largely rural character. The Eastern District's Divisions are located in the cities of Beaumont, Lufkin, Marshall, Sherman, Texarkana, and Tyler, Texas. The population of none of those cities exceeds 120,000, and only two have a population exceeding 40,000. Yet, because virtually all large corporations that sell their products nationwide sell a not-insubstantial number of products within the Eastern District, the Federal Circuit's interpretation of § 1400(b)—that the statute incorporates § 1391(c)'s definition of corporate residence—subjects those corporations to patent-infringement litigation in the district. Moreover, in accordance with Federal Circuit precedent, courts within the Eastern District exercise personal jurisdiction over *all* infringement claims asserted against corporate defendants, not simply those claims arising from infringing sales within the Eastern District.

The constitutional concerns (both due process and federalism) that arise from the Federal Circuit's interpretation of §§ 1400(b) and 1391(c) can be avoided if the Court adopts the alternative interpretation urged by Heartland. Under that interpretation, a corporation "resides" (for purposes of § 1400(b)) in the district in which it is incorporated. As so interpreted, the statute provides that venue lies: (1) in the district in which the alleged infringer is incorporated; or (2) in any district in which it has committed acts of infringement and has

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of-Year Trends (Jan. 7, 2016).

a regular and established place of business. Establishing venue in the district in which the defendant is incorporated is consistent with the due process limits on general jurisdiction established by *Daimler*; and establishing venue in a district in which the defendant has committed acts of infringement and has a regular and established place of business is both consistent with due process and authorized by a federal statute (28 U.S.C. § 1694) governing the distribution of cases within the unified federal court system.[12]

The interpretation urged by Heartland qualifies as "fairly possible" for purposes of applying the doctrine of constitutional avoidance. That conclusion is self-evident in light of *Fourco* (in which the Court interpreted § 1400(b) precisely as urged by Heartland) and *Stonite* (in which the Court interpreted § 1400(b)'s predecessor statute in a like manner). In sum, the constitutional concerns raised by the Federal Circuit's interpretation of § 1400(b) provides an additional ground for determining that the Federal Circuit erred in rejecting *Fourco* and thereby vastly expanding venue in patent-infringement actions.

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[12] This Court has acknowledged that whether the Fifth Amendment's Due Process Clause limits Congress's power to expand personal jurisdiction in the federal district courts is an open question. *Omni Capital Int'l, Ltd. v. Rudolph Wolff & Co.*, 484 U.S. 97, 102 n.5 (1987). Lower court and legal commentators generally agree that due process imposes considerably fewer personal-jurisdiction constraints on Congress than on States, given that all federal courts are creatures of a single sovereign. *See, e.g.*, Robert A. Lusardi, *Nationwide Service of Process: Limitations on the Power of the Sovereign*, 33 Vill. L. Rev. 1, 48 (1988).

CONCLUSION

The decision below should be reversed and the case remanded with instructions that venue of this action is improper in the District of Delaware.

Respectfully submitted,

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AND BRIEF

No. 16-341

In The
Supreme Court of the United States

TC HEARTLAND LLC,
Petitioner,

v.

KRAFT FOODS GROUP BRANDS LLC,
Respondent.

ON WRIT OF CERTIORARI TO
THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF OF *AMICUS CURIAE* WHIRLPOOL CORP. IN SUPPORT OF RESPONDENT

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28 U.S.C. § 1400(b) 2, 4, 5, 15

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RULES

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OTHER AUTHORITIES

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S. 2733, 114th Cong. § 2 (2016) 7

INTEREST OF *AMICUS CURIAE*[1]

Whirlpool Corp. is the number one major appliance manufacturer in the world, with approximately 93,000 employees and 70 manufacturing and technology research centers worldwide. In addition to its global headquarters and technology centers in Michigan, Whirlpool operates manufacturing facilities in Iowa, Ohio, Oklahoma, Massachusetts, and Tennessee, and employs approximately 15,000 manufacturing employees in the United States—more than all of its major competitors.

Whirlpool depends on obtaining and enforcing intellectual property to support its ability to design and manufacture innovative new products for its customers. Whirlpool has thousands of U.S. patents, and over the past decade it has successfully enforced a number of its patents against competitors. Whirlpool also has been sued by companies that might be described as "patent trolls," some of which filed in the Eastern District of Texas.

As an amicus, Whirlpool's interest is in ensuring that fast, predictable, and effective patent enforcement remains a viable option for innovative companies that develop and practice their patented technologies.

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[1] Pursuant to Rule 37.6, Whirlpool affirms that no counsel for a party authored this brief in whole or in part, and that no person other than *amicus* or its counsel made any monetary contributions intended to fund the preparation or submission of this brief. Pursuant to Rule 37.3(a), all parties received appropriate notice of and consented to the filing of this brief.

SUMMARY OF THE ARGUMENT

Venue rules reflect a balancing of policy considerations, and the responsibility for making these policy judgments rests with Congress. For patent cases, Congress established the venue rules in 28 U.S.C. § 1400(b) and 28 U.S.C. § 1391(c), which dictate the relatively broad choice of venue afforded to patent plaintiffs that has been recognized by the Federal Circuit for over thirty years. Petitioner and its *amici* are free to make their case to Congress that the current approach to venue should be changed. But Congress's existing framework is supported by countervailing policy considerations that favor providing patent owners with more expansive venue options, particularly when compared to the restrictive approach advocated by Petitioner.

In instances of infringement by multiple unaffiliated parties, for example, Petitioner's approach would require patent owners to file isolated suits in numerous jurisdictions across the United States. Below, Whirlpool describes its experience enforcing its patents relating to refrigerator water filters against a multitude of infringers. Under prevailing law, Whirlpool is able to bring all of its patent lawsuits in one district. Whirlpool is concerned that Petitioner's approach may require it to file lawsuits in dozens of jurisdictions, if not more, which would dramatically increase the costs to enforce a patent, and would result in judicial inefficiencies.

Notwithstanding that the present case was filed in Delaware, *amicus* briefs supporting

Petitioner have devoted significant effort to making a case against patent practice in the Eastern District of Texas. Whirlpool urges the Court to reject their invitation to let concerns about practice in one district drive the construction of statutory provisions that establish venue in many districts across the country. While irrelevant to the statutory question, Whirlpool is also concerned that the briefing before the Court has presented an unbalanced picture of the Eastern District of Texas.

Whirlpool has been sued in the Eastern District of Texas for patent infringement by multiple entities that could be called "patent trolls." It has also filed many of its water filter patent infringement lawsuits there. Whirlpool's experience as both a plaintiff and a defendant is that patent practice in the Eastern District of Texas is neither abusive nor unreasonable. While "patent trolls" seeking nuisance value settlements no doubt file cases there, it is also an attractive venue for serious litigants looking to resolve meritorious claims. The reasons are not abusive: the judges are experienced with patent law, the local patent rules are predictable, and cases proceed to trial without undue delay. Whirlpool's water filter patent litigation does not display any of the hallmarks of abuse emphasized in the briefing before this Court, yet Whirlpool has benefited from the experience, predictability, and speed offered by the Eastern District of Texas. A result-driven statutory interpretation that would limit filings in the Eastern District of Texas would not alleviate the problem of "patent trolls"; it would simply relocate those lawsuits to other districts.

Whirlpool respectfully submits that if the venue provisions are to be revised in response to "patent trolls" or concern about the Eastern District of Texas, that revision should come from Congress after a full and careful weighing of the facts and policy considerations on each side of the debate.

ARGUMENT

I. The Federal Circuit Correctly Applied the Text of 28 U.S.C. § 1400(b) and 28 U.S.C. § 1391(c)

Sections 1400(b) and 1391(c) of Title 28 embody straightforward rules for venue in patent cases. Section 1400(b) provides that a patent defendant may be sued in either (A) "the judicial district where the defendant resides"; or (B) "where the defendant has committed acts of infringement and has a regular and established place of business." 28 U.S.C. § 1400(b).

Section 1391(c) establishes, "[f]or all venue purposes," the residency of three types of defendants. 28 U.S.C. § 1391(c). Natural persons are deemed to reside in the judicial district where they are domiciled. *Id.* at § 1391(c)(1). Companies are deemed to reside "in any judicial district in which such defendant is subject to the court's personal jurisdiction with respect to the civil action in question." *Id.* at § 1391(c)(2). Defendants not resident in the United States "may be sued in any judicial district." *Id.* § 1391(c)(3).

Taken together, sections 1391(c) and 1400(b) provide the most expansive venue options for cases against non-residents (*i.e.*, any judicial district), somewhat less expansive venue options for corporate defendants (*i.e.*, anywhere they are subject to personal jurisdiction with respect to the action), and more narrow venue options for individuals (*i.e.*, where they are domiciled or where they committed acts of infringement and have a regular and established place of business).

In addition to being the straightforward meaning of the relevant statutory provisions, the current framework also reflects the reasonable policy judgment that, as between a patent owner and an infringer that is sophisticated and well-capitalized enough to create, maintain, and benefit from a corporate structure, it is fair to give the patent owner more latitude in selecting the venue. At the same time, Congress also determined that in cases between a patent owner and a (likely less sophisticated) individual defendant, suits should be limited to venues with more substantial ties to the defendant. This plain and straightforward reading of the statute is hardly unreasonable, and this Court should not deviate from it. *See United States v. Ron Pair Enters.*, 489 U.S. 235, 240-41 (1989) ("[A]s long as the statutory scheme is coherent and consistent, there generally is no need for a court to inquire beyond the plain language of the statute.")

II. Determining Appropriate Venue is Policy-Driven and Should be Left to Congress

Compared to the current framework, Petitioner's proposed approach to venue would strike a balance that weighs heavily in favor of corporate defendants. If Petitioner's proposed rebalancing of the relative rights of patent owners and defendants is to become law, it should come from Congress. *See Kimble v. Marvel Entertainment, LLC*, 135 S. Ct. 2401, 2414 (2015) ("[T]he choice of what patent policy should be lies first and foremost with Congress.")

A. Petitioner's Venue Rule Would Systematically Favor Corporate Infringers Over Patent Owners

Under Petitioner's approach, corporate defendants in patent cases could only be sued (1) where they are incorporated; or (2) where they have a regular and established place of business and infringe. A patent owner would therefore be *required* to sue infringing companies in their own backyard, even if that jurisdiction is far from and unfamiliar to the patent owner. Such a rule would guarantee numerous practical advantages to corporate defendants, including better access to local counsel, more experience and familiarity with the local court's rules and practices, and reduced travel expenses. While the district courts no doubt do their best to ensure that local biases do not interfere with the right to a fair and impartial trial, concerns about "home town advantage" remain and, if present,

would consistently skew in favor of corporate defendants.

The current approach to venue, in contrast, provides a more level playing field. First, it gives the patent owner its choice of venue so long as the corporate defendant's contacts with that venue are significant enough to confer personal jurisdiction. Second, 28 U.S.C. § 1404 provides defendants with the right to request that the court selected by the plaintiff weigh the convenience of that venue on a case-by-case basis and, if appropriate, transfer to a more convenient venue.

The undesirability of Petitioner's approach, which ties venue exclusively to the most convenient locations for the *defendant*, is demonstrated by the fact that recent legislative proposals have expressly permitted suit in jurisdictions based on the *plaintiff's* operations and activities. The Venue Equity and Non Uniformity Elimination (VENUE) Act of 2016, for example, provides for venue where (1) an inventor named on the patent in suit conducted research or development that led to the application for the patent in suit; or (2) the plaintiff has a regular and established physical facility that it controls and operates so long as certain research, development, or manufacturing occurred in that location. *See* S. 2733, 114th Cong. § 2 (2016); *see also* H.R. 9, 114th Cong. § 3(g) (2015) (same).

B. Whirlpool's Patent Enforcement Efforts Demonstrate the Importance of More Flexible Venue Options to Patent Owners

Whirlpool's experience enforcing its patents on refrigerator water filters is a case study in the difficulties faced by owners of widely infringed patents and how the current venue provision aids with cost-effective and judicially efficient enforcement.

Whirlpool has obtained patents on improved designs for replacement water filters used in Whirlpool refrigerators. Over the past several years, many patent-infringing filters appeared on the market, and Whirlpool has been committed to protecting its patent rights. There have been many infringers to contend with, and Whirlpool has filed over 40 lawsuits against manufacturers and resellers. The vast majority of these cases have settled after the defendant agreed to stop selling the infringing products.

Under prevailing law, Whirlpool has been able to sue each corporate infringer in a single district. Whirlpool's team of outside counsel is fluent in the local rules and procedures, leading to efficient prosecution of a large volume of cases. At the same time, the presiding judge has gained familiarity with Whirlpool's patents and the issues presented. Since September 2015, the court has issued two claim construction orders, entered one preliminary injunction, resolved two motions for permanent injunctions against defaulting defendants after

hearing live testimony from Whirlpool employees, and brought one case to trial.

Petitioner's approach, in contrast, would prevent Whirlpool from bringing all of its cases in a single district. If limited to the defendant's place of incorporation or where the defendant has a regular and established place of business, Whirlpool would have been forced to file suit in 17 different jurisdictions in the past 18 months. Unlike the proposed legislative amendments, Petitioner's approach would not provide Whirlpool with *any* single district in which it could bring all of its cases.[2]

The additional burden of litigating in scattershot jurisdictions would be significant. For example, rather than educating and coordinating with local counsel in one district, Whirlpool would have needed to find, retain, educate, and coordinate with at least 17 different local counsel. Learning and ensuring compliance with all local rules and practices would also require substantial resources. The volume of related cases supported by a common group of outside counsel, in-house attorneys, and employee witnesses would also present difficult logistical challenges if potentially conflicting case schedules and hearing dates were set independently by 17 different judges.

The efficient administration of justice would also suffer. Instead of requiring one judge to be

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[2] The Judicial Panel on Multidistrict Litigation would not be effective because Whirlpool has filed suit on a rolling basis. For example, at present, one of Whirlpool's cases is going to trial while defendants in other cases have yet to answer.

familiar with Whirlpool's case, the asserted patents, and the relevant technology, 17 judges (and counting) would have faced this task, leading to inefficiencies and potentially inconsistent results. *See Wyndham Assocs. v. Bintliff*, 398 F.2d 614, 619 (2d Cir. 1968) ("There is a strong policy favoring the litigation of related claims in the same tribunal in order that pretrial discovery can be conducted more efficiently, duplicitous litigation can be avoided, thereby saving time and expense for both parties and witnesses, and inconsistent results can be avoided."); *Clements v. Airport Authority of Washoe County*, 69 F.3d 321, 330 (9th Cir. 1995) (noting that inconsistent results "tend to undermine confidence in the judicial process").

C. The Eastern District of Texas's Approach to Case Management Should Not Drive Reinterpretation of the Venue Statute

Rule 1 of the Federal Rules of Civil Procedure sets forth the goal of providing "the just, speedy, and inexpensive determination of every action and proceeding." There is, however, tension between these three goals. In patent cases, practices in different jurisdictions strike different balances. The Eastern District of Texas has been criticized for its early and broad discovery, its more limited willingness to stay cases while validity is challenged at the U.S. Patent & Trademark Office, and its less frequent grant of summary judgment. Petitioner and its *amici* point to other jurisdictions that approach

these issues in a way that is different and, in their view, better.[3]

These issues present policy trade-offs. Staying consideration of infringement and damages while validity is considered at the Patent Office will tend to decrease expenses in cases where the patent is invalidated, but will increase costs and add several years to the time it takes to resolve the case for patent owners whose patents ultimately survive. Early discovery and more aggressive case schedules will promote speedier resolution, but will tend to increase upfront costs. More expansive discovery will also increase costs, but bringing more facts to light should result in more just outcomes.

Whirlpool respectfully submits that it is far more desirable to grapple with the best approach to case management practices on a case-by-case basis via existing avenues of review rather than using the extraordinarily blunt instrument of judicial reinterpretation of the venue statute. Many levers exist for tweaking the balance of these considerations in patent cases, including

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[3] Research does not suggest that the Eastern District of Texas's approach drives significantly different outcomes when compared to other jurisdictions. *See* Mark A. Lemley, Su Li & Jennifer M. Urban, *Does Familiarity Breed Contempt Among Judges Deciding Patent Cases?*, 66 Stan. L. Rev. 1121, 1139 (2014) ("[D]espite the patent-friendly reputation of the Eastern District of Texas, it is not significantly more likely to produce patentee wins."); J. Gregory Sidak, *Ongoing Royalties for Patent Infringement*, 24 Tex. Intell. Prop. L.J. 161, 178 (2016) ("Although commentators sometimes perceive that the Eastern District of Texas is especially plaintiff-friendly in patent litigation, the data with respect to ongoing royalties do not support that assumption.").

modification of the Federal Rules of Civil Procedure, statutory amendments, and appellate review. Each of these approaches has been used recently in response to concerns about patent practice, and the judges in the Eastern District of Texas, like all judges, have applied the new rules and laws.

For example, Form 18 of the Federal Rules of Civil Procedure was eliminated, which had the practical effect of requiring additional detail in patent complaints. *E.g.*, *Ruby Sands LLC v. Am. Nat'l Bank of Texas*, No. 2:15-cv-01955, Dkt. No. 58 (E.D. Tex. Jun. 28, 2016) (explaining that "Form 18 no longer provides a safe harbor for direct infringement claims" and dismissing complaint for failure to state a claim). Similarly, the America Invents Act responded to criticisms about joinder by tightening the standard in patent cases. *See* 35 U.S.C. § 299; *e.g.*, *Chrimar Sys., Inc. v. ADTRAN, Inc.*, No. 6:15-cv-00618, Dkt. No. 681, at 5 (E.D. Tex. Nov. 23, 2016) (denying plaintiff's motion to join defendants for trial because plaintiff "failed to show that joinder is proper under § 299"). The Federal Circuit is also capable of addressing concerns, as it did by reviewing the standard for § 1404 motions to transfer venue in *In re TS Tech USA Corp.*, 551 F.3d 1315 (Fed. Cir. 2008), and its progeny. *E.g.*, *Realtime Data LLC v. Teradata Operations, Inc.*, No. 6:15-cv-00470, Dkt. No. 43 (E.D. Tex. Mar. 29, 2016) (granting motion to transfer to the Northern District of California under 28 U.S.C. § 1404).

Adopting a strained reinterpretation of a straightforward venue statute to deny patent owners' access to the case management approach of

one jurisdiction is an undesirable way to address the best balance of justice, speed, and expense in patent cases.

D. Eliminating Access to the Eastern District of Texas Will Deprive All Patent Owners of a Fast, Predictable, and Experienced Forum Without Solving the "Patent Troll" Problem

Many meritorious patent lawsuits are filed in the Eastern District of Texas. Whirlpool's water filter patent lawsuits, for example, do not even remotely resemble the lawsuits complained about by Petitioner and its *amici* because: (1) Whirlpool is an operating company that sells patent-practicing products; (2) the validity of its patent has been confirmed in reexamination at the Patent Office; (3) Whirlpool has produced more than twice as many pages of documents in discovery as all of the defendants in its cases combined; and (4) Whirlpool's goal is not to monetize its patents by collecting royalties—Whirlpool has been and presently remains unwilling to accept payment in exchange for a license to practice its inventions because Whirlpool prefers to supply the patented water filters itself in order to ensure that they are of high quality and work properly with its refrigerators.

In short, Whirlpool's patent lawsuits do not bear any of the indicia of abuse that are the focus of complaints about the Eastern District of Texas. But by filing there, Whirlpool has benefited from the predictability that comes from well-established local patent rules that are accompanied by a rich

interpretative case law, experienced judges, and a track record of maintaining rigorous case schedules to promote speedy resolution.

Whirlpool is not the only operating company that has chosen to enforce its patent in the Eastern District of Texas. *E.g.*, *Allergan, Inc. v. Deva Holdings A.S.*, No. 2:16-cv-01447 (E.D. Tex. 2016); *Nokia Technologies Oy v. Apple Inc.*, No. 2:16-cv-01440 (E.D. Tex. 2016); *Hitachi Maxell, Ltd. v. Huawei Techs. Co., Ltd.*, No. 5:16-cv-00178 (E.D. Tex. 2016); *Luv N' Care, Ltd. v. Brigitta Biro*, No. 5:16-cv-00047 (E.D. Tex. 2016). Many research institutions have filed there as well. *E.g.*, *Queen's University at Kingston v. Samsung Elecs. Co., Ltd.*, No. 2:14-cv-00053 (E.D. Tex. 2014); *My Health, Inc. & University of Rochester v. CardioCom, LLC*, No. 2:13-cv-00136 (E.D. Tex. 2013); *Commonwealth Scientific & Industrial Research Organisation v. MediaTek Inc.*, No. 6:12-cv-00578 (E.D. Tex. 2012); *The Regents of the University of California v. Facebook, Inc.*, No. 6:12-cv-00619 (E.D. Tex. 2012).

Whirlpool certainly does not dispute that lawsuits are also filed in the Eastern District of Texas by non-practicing plaintiffs with dubious claims that seek to exploit the high cost of defense in patent cases in order to obtain a quick "nuisance value" settlement. Whirlpool has been a defendant in such cases. However, removing "patent trolls" from the Eastern District of Texas will not remove them from the legal landscape.[4] *See* Federal Trade

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[4] Recent orders issued from the Eastern District of Texas demonstrate that its judges are working to deter meritless claims. *See Iris Connex, LLC v. Dell, Inc.*, No. 2:15-cv-01915,

Commission, Patent Assertion Entity Activity, 80 (Oct. 2016) (explaining that studied patent assertion entities "initiated cases in more than 50 different federal judicial districts," with 22% of all cases filed in Delaware). Nuisance value settlements can be, and have been, brought in multiple jurisdictions. *Id.* at 80, 91-92. Reinterpretation of Section 1400(b) will not change that, as the cost of defense will remain higher than an early five-figure settlement payment regardless of the district selected by the patent owner. *Id.* at 4 n.7 (estimating cost of defending a suit brought by a non-practicing entity through the end of discovery at $300,000 to $2.5 million); *id.* at 8 (noting that 77% of studied litigation-driven licenses "were valued at less than the estimated cost of defending a patent lawsuit through the end of discovery").

CONCLUSION

Whirlpool welcomes reforms aimed at reducing the ability of patent owners with frivolous claims to extract nuisance value settlements. However, reinterpreting the long-standing venue statute as requested by Petitioner will not accomplish that goal. Instead, it will harm innovators by both eliminating access to a fast and predictable approach to case management and also preventing patent owners from bringing all of their lawsuits in a single venue.

Dkt. No. 149 (E.D. Tex. Jan. 25, 2017) (awarding attorney fees to defendant and sanctioning plaintiff's counsel); *Edekka LLC v. 3Balls.com*, No. 2:15-cv-00541, Dkt. No. 133 (E.D. Tex. Dec. 17, 2015) (awarding attorney fees to defendants).

Respectfully submitted,

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